

**WATLERS INDEPENDENT SCHOOL DISTRICT NO. 1**  
**COTTON COUNTY, OKLAHOMA**  
**JUNE 30, 2011**

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COTTON COUNTY, OKLAHOMA  
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Schedule of Accountants' Professional Liability Insurance

Exhibit G-1

\* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

**WALTERS INDEPENDENT SCHOOL DISTRICT NO. I-1, COTTON COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

President	Scott Reed
Vice President	Cody Wampler
Clerk	Scotty Simpson
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**SCHOOL DISTRICT TREASURER**

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P.O. BOX 706 • 2700 SOUTH FOURTH  
CHICKASHA, OKLAHOMA 73023  
PHONE (405) 224-6363 • FAX (405) 224-6364  
web [www.telepath.com/ajba](http://www.telepath.com/ajba)

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Walters Independent School District #1  
Cotton County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Walters Independent School District #1**, Cotton County, Oklahoma, 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. 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, **Walters Independent School District #1**, Cotton 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.

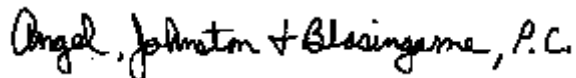
In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Walters Independent School District #1**, Cotton County, Oklahoma, as of June 30, 2011, or the changes in its financial position for the year then ended.

## Walters School

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 **Walters School District, No 1**, Cotton County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, 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 financial statements that collectively comprise **Walters Independent School District #1**, Cotton County, Oklahoma, 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/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the combined financial statements of **Walters Independent School District #1**, Cotton 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.



Chickasha, Oklahoma  
December 5, 2011

COMBINED FINANCIAL STATEMENTS

**Walters School District No.1-001, Cotton 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
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,029,863	\$ 156,918	\$ 4,371	\$ 0	\$ 99,094	\$ 0	\$ 1,290,246
Investments	500,623	0	0	0	0	0	500,623
Amounts Available in Debt Service Fund	0	0	0	0	0	0	0
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	0
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	118,541	118,541
Amounts to be Provided for Compensated Absences	0	0	0	0	0	29,939	29,939
<i>Total Assets</i>	<u>\$ 1,530,486</u>	<u>\$ 156,918</u>	<u>\$ 4,371</u>	<u>\$ 0</u>	<u>\$ 99,094</u>	<u>\$ 148,480</u>	<u>\$ 1,939,349</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Warrants Payable	\$ 727,858	\$ 429,226	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,157,084
Reserve for Encumbrances	3,215	0	0	0	0	0	3,215
Due to Activity Groups	0	0	0	0	99,094	0	99,094
Capitalized Lease Obligations Payable	0	0	0	0	0	118,541	118,541
Compensated Absences Payable	0	0	0	0	0	29,939	29,939
<i>Total Liabilities</i>	<u>\$ 731,073</u>	<u>\$ 429,226</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,094</u>	<u>\$ 148,480</u>	<u>\$ 1,407,873</u>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 4,371	\$ 0	\$ 0	\$ 0	\$ 4,371
Reserved for Capital Projects	0	0	0	0	0	0	0
Cash Fund Balance	799,413	(272,308)	0	0	0	0	527,105
<i>Total Fund Equity</i>	<u>\$ 799,413</u>	<u>\$ (272,308)</u>	<u>\$ 4,371</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 531,476</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 1,530,486</u>	<u>\$ 156,918</u>	<u>\$ 4,371</u>	<u>\$ 0</u>	<u>\$ 99,094</u>	<u>\$ 148,480</u>	<u>\$ 1,939,349</u>

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

**Walters School District No.1-001, Cotton 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
<b>Revenue Collected:</b>					
Local Sources	\$ 660,691	\$ 85,059	\$ 14	\$ 0	\$ 745,764
Intermediate Sources	93,922	0	0	0	93,922
State Sources	3,083,284	20,574	0	0	3,103,857
Federal Sources	945,771	2,023,233	0	0	2,969,004
Non-Revenue Receipts	70,346	42,153	0	0	112,498
<i>Total Revenue Collected</i>	<u>\$ 4,854,014</u>	<u>\$ 2,171,019</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 7,025,046</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 3,104,102	\$ 0	\$ 0	\$ 0	\$ 3,104,102
Support Services	1,484,600	217,227	0	0	1,701,827
Operation of Non-Instructional Services	0	197,160	0	0	197,160
Facilities Acquisition and Construction	46,756	2,428,172	0	0	2,474,928
Other Outlays	68,542	0	0	0	68,542
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 4,704,000</u>	<u>\$ 2,842,560</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,546,560</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 150,014</u>	<u>\$ (671,541)</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ (521,513)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ (4)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4)</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 2,213	\$ 3	\$ 0	\$ 0	\$ 2,216
Bond Proceeds	0	0	0	0	0
Transfers In	11,377	0	0	0	11,377
Transfers Out	(666)	0	0	0	(666)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 12,924</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,927</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 162,934</u>	<u>\$ (671,538)</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ (508,590)</u>
<i>Fund Balance - Beginning of Year</i>	<u>636,478</u>	<u>399,230</u>	<u>4,357</u>	<u>0</u>	<u>1,040,066</u>
<i>Fund Balance - End of Year</i>	<u>\$ 799,413</u>	<u>\$ (272,308)</u>	<u>\$ 4,371</u>	<u>\$ 0</u>	<u>\$ 531,476</u>

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



**Walters School District No.1-001, Cotton 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
<b>Revenue Collected:</b>									
Local Sources	\$ 586,165	\$ 586,165	\$ 660,691	\$ 78,494	\$ 78,494	\$ 85,059	\$ 14	\$ 14	\$ 14
Intermediate Sources	77,000	77,000	93,922	0	0	0	0	0	0
State Sources	2,884,574	2,884,574	3,083,284	19,282	19,282	20,574	0	0	0
Federal Sources	691,381	691,381	945,771	2,720,916	2,720,916	2,023,233	0	0	0
Non-Revenue Receipts	0	0	70,346	0	0	42,153	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 4,239,120</u>	<u>\$ 4,239,120</u>	<u>\$ 4,854,014</u>	<u>\$ 2,818,692</u>	<u>\$ 2,818,692</u>	<u>\$ 2,171,019</u>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 14</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 3,618,096	\$ 3,618,096	\$ 3,104,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	1,168,900	1,168,900	1,484,600	3,023,358	3,023,358	217,227	0	0	0
Operation of Non-Instructional Services	0	0	0	231,606	231,606	197,160	0	0	0
Facilities Acquisition and Construction	18,602	18,602	46,756	0	0	2,428,172	4,371	4,371	0
Other Outlays	69,000	69,000	68,542	0	0	0	0	0	0
Other Uses	0	0	0	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>\$ 4,874,598</u>	<u>\$ 4,874,598</u>	<u>\$ 4,704,000</u>	<u>\$ 3,254,963</u>	<u>\$ 3,254,963</u>	<u>\$ 2,842,560</u>	<u>\$ 4,371</u>	<u>\$ 4,371</u>	<u>\$ 0</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (635,478)</u>	<u>\$ (635,478)</u>	<u>\$ 150,014</u>	<u>\$ (436,271)</u>	<u>\$ (436,271)</u>	<u>\$ (671,541)</u>	<u>\$ (4,357)</u>	<u>\$ (4,357)</u>	<u>\$ 14</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 2,213	\$ 0	\$ 0	\$ 3	\$ 0	\$ 0	\$ 0
Transfers In	0	0	11,377	37,041	37,041	0	0	0	0
Transfers Out	(1,000)	(1,000)	(666)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ 12,924</u>	<u>\$ 37,041</u>	<u>\$ 37,041</u>	<u>\$ 3</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>\$ (636,478)</u>	<u>\$ (636,478)</u>	<u>\$ 162,934</u>	<u>\$ (399,230)</u>	<u>\$ (399,230)</u>	<u>\$ (671,538)</u>	<u>\$ (4,357)</u>	<u>\$ (4,357)</u>	<u>\$ 14</u>
<i>Fund Balance - Beginning of Year</i>	<u>636,478</u>	<u>636,478</u>	<u>636,478</u>	<u>399,230</u>	<u>399,230</u>	<u>399,230</u>	<u>4,357</u>	<u>4,357</u>	<u>4,357</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 799,413</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ (272,308)</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 4,371</u>

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

**Walters ISD No. 1, Cotton 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 Walters Public Schools Independent District No. 1, Cotton 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.

A new criterion was established by GASBS Statement No. 39 that became effective for the year ended June 30, 2004. Under GASBS Statement No. 39, a legally separate, tax-exempt organization should be reported as a component unit if: 1) the economic resources of the separate organization are almost entirely for the direct benefit of the primary government or its constituents, 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, 3) and if the economic resources of the separate organization are significant to the primary government. Under this criterion, Walters Public Education Foundation, would be required to be included in the District's financial statements as a discretely presented component unit. However, the District has elected not to include it in the District's reporting entity.

**Walters ISD No. 1, Cotton 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)**

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).

**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 and the Child Nutrition 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.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

**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.

**Walters ISD No. 1, Cotton 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)**

**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.

**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.

**Walters ISD No. 1, Cotton 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)**

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

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

This regulatory basis of accounting differs from 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.

**Walters ISD No. 1, Cotton 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)**

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.

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 been reported in the general long-term debt account group.

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

**Walters ISD No. 1, Cotton 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)**

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. 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	\$	1,292,592
Time Deposits		<u>500,623</u>
Total Deposits	\$	<u><u>1,793,215</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	\$	1,790,869
Activity Fund Outstanding Checks		<u>2,346</u>
Total Deposits and Investments	\$	<u><u>1,793,215</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.

**Walters ISD No. 1, Cotton County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 2 – Deposit and Investment Risk, (continued)**

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.

**Investment Credit Risk** – In compliance with the provisions of O.S. 1991 Title 70-5-115 as amended, the School Board shall, each month, set aside funds on an operating account and to an investment account. The School District Treasurer is authorized by the Board of Education of Walters Public Schools to invest the full amount of the investment account in the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit of banks. If or when such certificates of deposits are over \$100,000 FDIC insured, the investment must be secured by acceptable collateral as in the deposit of other public monies.
- c. In savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation. Provided, that the income received from said investments may be placed in the general fund of the governmental subdivision to be used for general governmental operations; or
- d. Warrants, General Obligation Bonds or Judgments of the school district.
- e. Qualified Pooled Investment Programs, the investments of which consist of those items specified above as well as obligations of the U.S. agencies and instrumentalities.

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.

**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.

**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.



**Walters ISD No. 1, Cotton County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 3 - General Long-term Debt**

State statute 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.

General long-term debt of the District consists, obligations for compensated absences, and capital leases. 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	Compensated Absences	Total
Balance July 1, 2010	0	79,762	28,782	108,544
Additions	0	67,680	1,157	68,837
Retirements	0	28,901	0	28,901
Balance, June 30, 2011	0	118,541	29,939	148,480

The District has entered into a lease agreements as lessee for financing the acquisition of an ice cream machine, modular building, Energy Conservation Equipment, and a copier. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases do contain a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The Ice Cream Machine was paid off during the 2010-11 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 leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Energy			Total
	Conservation Equipment	Modular Building	Copier	
2012	\$ 12,339	\$ 18,601	\$ 10,920	\$ 41,860
2013	12,339	17,224	10,920	40,483
2014	12,339	0	910	13,249
2015	12,339	0	0	12,339
2016	12,339	0	0	12,339
2017	8,230	0	0	8,230
Total	\$ 69,925	\$ 35,825	\$ 22,750	\$ 128,500
Less: Amount Representing Interest Present Value of Future Minimum Lease Payments	(5,694)	(2,879)	(1,386)	(9,959)
	<u>\$ 64,231</u>	<u>\$ 32,946</u>	<u>\$ 21,364</u>	<u>\$ 118,541</u>

**Walters ISD No. 1, Cotton County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**Compensated Absences**

The District will pay \$10.00 per day for unused sick leave of an employee who retires or terminates up to a maximum of 120 days. The amount the district is liable for on June 30, 2011 for compensated absences is \$29,939.

**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.

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 \$254,915, \$256,393, and \$239,013 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$2,683,319; the District's total compensation was \$3,494,128. 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 (\$15,614) and 9.50% of compensation arising from post retirement employees (\$6,042). There were \$149,613, contributions made by employees during the year ended June 30, 2011.

**Walters ISD No. 1, Cotton County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System, (continued)**

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.

**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 – Negative Fund Balance Building Fund**

The District's Building Fund had a negative \$325,439.04 balance as of June 30, 2011. This was due to a claim being filed for ARRA Impact Aid School Construction Grant in June 2011, but reimbursement not received until July 2011. The negative balance was corrected once this reimbursement was received.

**Walters ISD No. 1, Cotton County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 9 – Surety Bonds**

The District has a Public Official blanket performance bond with The Ohio Casualty Insurance Company that covers various positions. The bond number is 1597055 and covers the term of July 1 2010 to July 1, 2011. The major positions covered are listed below:

Superintendent	\$100,000
Treasurer	100,000
Activity Fund Custodian	100,000
Minutes Clerk	100,000

OTHER SUPPLEMENTAL INFORMATION

**Walters School District No.1-001, Cotton 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><b>ASSETS</b></u>	<u><b>Building Fund</b></u>	<u><b>Child Nutrition Fund</b></u>	<u><b>Total June 30, 2011</b></u>
Cash and Cash Equivalents	\$ 88,952	\$ 67,966	\$ 156,918
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 88,952</u>	<u>\$ 67,966</u>	<u>\$ 156,918</u>
<u><b>LIABILITIES AND FUND BALANCE</b></u>			
Liabilities:			
Warrants Payable	\$ 414,391	\$ 14,835	\$ 429,226
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 414,391</u>	<u>\$ 14,835</u>	<u>\$ 429,226</u>
Fund Balance:			
Cash Fund Balance	\$ <u>(325,439)</u>	\$ <u>53,131</u>	\$ <u>(272,308)</u>
<i>Total Fund Balance</i>	<u>\$ (325,439)</u>	<u>\$ 53,131</u>	<u>\$ (272,308)</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 88,952</u>	<u>\$ 67,966</u>	<u>\$ 156,918</u>

**Walters School District No.1-001, Cotton 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**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2011</u>
<b>Revenue Collected:</b>			
Local Sources	\$ 84,880	\$ 179	\$ 85,059
Intermediate Sources	0	0	0
State Sources	32	20,542	20,574
Federal Sources	1,890,693	132,540	2,023,233
Non-Revenue Receipts	0	42,153	42,153
<i>Total Revenue Collected</i>	<u>\$ 1,975,605</u>	<u>\$ 195,413</u>	<u>\$ 2,171,019</u>
<b>Expenditures Paid:</b>			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	217,227	0	217,227
Operation of Non-Instructional Services	0	197,160	197,160
Facilities Acquisition and Construction	2,428,172	0	2,428,172
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,645,399</u>	<u>\$ 197,160</u>	<u>\$ 2,842,560</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (669,794)</u>	<u>\$ (1,747)</u>	<u>\$ (671,541)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>			
Estopped Warrants	\$ 0	\$ 3	\$ 3
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (669,794)</u>	<u>\$ (1,744)</u>	<u>\$ (671,538)</u>
<i>Fund Balance - Beginning of Year</i>	<u>344,355</u>	<u>54,876</u>	<u>399,230</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ (325,439)</u></u>	<u><u>\$ 53,131</u></u>	<u><u>\$ (272,308)</u></u>

Walters School District No.I-001, Cotton 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			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 78,494	\$ 78,494	\$ 84,880	\$ 0	\$ 0	\$ 179	\$ 78,494	\$ 78,494	\$ 85,059
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	32	19,282	19,282	20,542	19,282	19,282	20,574
Federal Sources	2,600,509	2,600,509	1,890,693	120,407	120,407	132,540	2,720,916	2,720,916	2,023,233
Non-Revenue Receipts	0	0	0	0	0	42,153	0	0	42,153
<i>Total Revenue Collected</i>	<u>\$ 2,679,003</u>	<u>\$ 2,679,003</u>	<u>\$ 1,975,605</u>	<u>\$ 139,689</u>	<u>\$ 139,689</u>	<u>\$ 195,413</u>	<u>\$ 2,818,692</u>	<u>\$ 2,818,692</u>	<u>\$ 2,171,019</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	3,023,358	3,023,358	217,227	0	0	0	3,023,358	3,023,358	217,227
Operation of Non-Instructional Services	0	0	0	231,606	231,606	197,160	231,606	231,606	197,160
Facilities Acquisition and Construction	0	0	2,428,172	0	0	0	0	0	2,428,172
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 3,023,358</u>	<u>\$ 3,023,358</u>	<u>\$ 2,645,399</u>	<u>\$ 231,606</u>	<u>\$ 231,606</u>	<u>\$ 197,160</u>	<u>\$ 3,254,963</u>	<u>\$ 3,254,963</u>	<u>\$ 2,842,560</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (344,355)</u>	<u>\$ (344,355)</u>	<u>\$ (669,794)</u>	<u>\$ (91,916)</u>	<u>\$ (91,916)</u>	<u>\$ (1,747)</u>	<u>\$ (436,271)</u>	<u>\$ (436,271)</u>	<u>\$ (671,541)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<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>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3	\$ 0	\$ 0	\$ 3
Transfers In	0	0	0	37,041	37,041	0	37,041	37,041	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,041</u>	<u>\$ 37,041</u>	<u>\$ 3</u>	<u>\$ 37,041</u>	<u>\$ 37,041</u>	<u>\$ 3</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (344,355)</u>	<u>\$ (344,355)</u>	<u>\$ (669,794)</u>	<u>\$ (54,876)</u>	<u>\$ (54,876)</u>	<u>\$ (1,744)</u>	<u>\$ (399,230)</u>	<u>\$ (399,230)</u>	<u>\$ (671,538)</u>
<i>Fund Balance - Beginning of Year</i>	<u>344,355</u>	<u>344,355</u>	<u>344,355</u>	<u>54,876</u>	<u>54,876</u>	<u>54,876</u>	<u>399,230</u>	<u>399,230</u>	<u>399,230</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (325,439)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53,131</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ (272,308)</u>



**Walters School District No.1-001, Cotton County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**Activity Fund - Regulatory Basis**  
**For the Year Ending June 30, 2011**

<b><u>ASSETS</u></b>	<b>School Activity Fund</b>
Cash	\$ 99,094
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 99,094</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>99,094</u>
<i>Total Liabilities</i>	<u>\$ 99,094</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 99,094</u>

**Walters School District No.1-001, Cotton County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2011**

<b>ACTIVITIES</b>	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2011</b>
Child Nutrition Program	\$ 0	\$ 42,290	\$ 42,290	\$ 0
Athletics	22,767	76,872	62,049	37,590
Band	1,774	439	1,424	788
Elementary PE	1,406	3,485	2,729	2,162
Class of 2010	772	0	772	0
FFA	5,948	62,157	64,633	3,472
Class of 2011	382	687	907	163
High School Cheerleaders	718	4,619	4,943	394
Elementary Music	1,299	2,425	2,108	1,615
MS Cheer	1,840	7,642	7,520	1,963
Vocal Music	4,750	3,663	3,130	5,282
Elementary	3,294	3,344	2,941	3,696
Elementary Library	891	4,674	5,060	505
Middle School	788	2,583	2,767	604
Middle School Student	1,044	3,786	2,633	2,198
High School	1,682	10,504	7,129	5,057
Yearbook	10,036	8,129	6,860	11,305
Middle School PTO	680	1,200	1,450	429
High School Student Council	1,177	1,463	1,870	770
Class of 2012	0	1,403	1,106	297
Art Club	816	500	509	807
Library Club	5	0	5	0
Native American Club	395	2,583	2,702	276
General	555	2,205	840	1,921
Petty Cash	0	200	200	0
Academic Team	170	264	348	86
FCA	1,077	0	0	1,077
General Fund Refund Account	0	11,421	11,421	0
Spanish Club	305	667	656	316
Elementary PTO	9,413	10,130	8,375	11,169
Walters Educ Foundation	1,089	15,428	15,891	625
PEP	52	907	946	13
Walters Coop	2,870	3,184	2,298	3,756
"W" All Sports Club	802	4,268	4,313	758
<b>Total Activities</b>	<b>\$ 78,797</b>	<b>\$ 293,120</b>	<b>\$ 272,824</b>	<b>\$ 99,094</b>

**WALTERS INDEPENDENT SCHOOL DISTRICT NO. I-01, COTTON 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
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
Impact Aid	84.041	591	6,989	157,743	164,732	0
Impact Aid Special Education	84.041	592	0	12,714	12,714	0
ARRA, Impact Aid School Construction, Recovery	84.401A	595	283,390	1,732,951	2,428,172	(411,832)
<b>Impact Aid Cluster</b>			<u>290,379</u>	<u>1,903,407</u>	<u>2,605,618</u>	<u>(411,832)</u>
Indian Education Title VII	84.060A	561	(10,127)	29,537	31,084	(11,673)
Readiness and Emergency Mgmt for Schools	84.184E	771	0	75,445	75,445	0
Carol M. White Physical Education Program	84.215F	775	(47,283)	114,999	115,296	(47,580)
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic	84.010	511	(19,603)	113,958	125,104	(30,749)
ARRA Title I, Basic	84.389	516	(6,126)	37,052	42,450	(11,523)
<b>Title I Cluster</b>			<u>(25,729)</u>	<u>151,010</u>	<u>167,553</u>	<u>(42,273)</u>
ARRA IDEA B, Flow Through	84.391A	622	(33,738)	77,713	43,975	0
ARRA Preschool	84.392A	643	(302)	639	337	0
IDEA-B Preschool	84.173	641	0	0	2,686	(2,686)
<b>Special Education Cluster</b>			<u>(34,039)</u>	<u>78,352</u>	<u>46,998</u>	<u>(2,686)</u>
ARRA Education Stabilization Fund	84.394	782	0	145,690	145,690	0
<b>ARRA Stabilization Cluster</b>			<u>0</u>	<u>145,690</u>	<u>145,690</u>	<u>0</u>
Title II, Part A,	84.367	541	(5,290)	36,195	30,905	0
Education Jobs Fund	84.410	790	0	124,360	124,360	0
Title II, Part D	84.318	546/548	(304)	611	307	0
Title IV, Part A	84.186	551	(3,310)	3,310	0	0
Title IV, Part B Twenty First Century	84.287	553	0	88,986	115,675	(26,689)
Title VI, Part B	84.358	587	(1,793)	15,234	17,629	(4,189)
<b>Total U.S. Department of Education</b>			<b>162,504</b>	<b>2,767,135</b>	<b>3,476,560</b>	<b>(546,921)</b>
<b>U.S. Department of Human Services</b>						
<u>Direct Funding:</u>						
STOP Grant	93.243	777	(7,861)	24,391	23,444	(6,913)
Drug Free Community Support	93.276	773	0	34,682	57,610	(22,929)
<b>Total U.S. Department of Human Services</b>			<b>(7,861)</b>	<b>59,073</b>	<b>81,054</b>	<b>(29,842)</b>
<b>U.S. Department of Agriculture</b>						
<u>Passed Through State Department of Education:</u>						
Breakfast Program (Note 2)	10.553	385	0	21,554	21,554	0
Lunch Program (Note 2)	10.555	385	0	110,986	110,986	0
Commodities Distributed-Lunch (Note 3)	10.550	385	0	11,643	11,643	0
<b>Child Nutrition Cluster</b>			<u>0</u>	<u>144,183</u>	<u>144,183</u>	<u>0</u>
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>144,183</b>	<b>144,183</b>	<b>0</b>
<b>U.S. Department of the Interior</b>						
<u>Passed Through Bureau of Indian Affairs:</u>						
Johnson O'Malley	15.130	563	(3,173)	10,256	7,083	0
<b>Total U.S. Department of Interior</b>			<b>(3,173)</b>	<b>10,256</b>	<b>7,083</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>151,470</b>	<b>2,980,647</b>	<b>3,708,880</b>	<b>(576,763)</b>

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 \$11,643 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 #	Federal Grant Receipts	Federal Grant Expenditures	Deferred ARRA Revenue (Accounts Rec)
ARRA Title I	84.389	516	37,052	42,450	(11,523)
ARRA Impact Aid Building	84.401A	595	1,732,951	2,428,172	(411,832)
ARRA Special Education	84.391A	622	77,713	43,975	0
ARRA Special Education Preschool	84.392A	643	639	337	0
ARRA Education Stabilization Fund	84.394	782	145,690	145,690	0
<b>Total ARRA Funding</b>			<u>1,994,044</u>	<u>2,660,624</u>	<u>(423,355)</u>



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  
Walters Independent School District #1  
Cotton County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Walters Independent School District #1**, 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 December 5, 2011. 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.

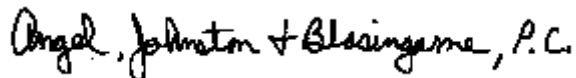
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2011-1.) 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.

### **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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education of **Walters Independent School District #1**, 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.



Chickasha, Oklahoma  
December 5, 2011



ANGEL,  
JOHNSTON &  
BLASINGAME, P.C.

P.O. BOX 706 • 2700 SOUTH FOURTH  
CHICKASHA, OKLAHOMA 73023  
PHONE (405) 224-6363 • FAX (405) 224-6364  
web [www.telepath.com/ajba](http://www.telepath.com/ajba)

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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education  
Walters Independent School District #I-1  
Cotton County, Oklahoma

Board Members:

Compliance

We have audited **Walters Independent School District #I-1**, Cotton County, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on 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. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our 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 we 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 we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, **Walters Independent School District #I-1, Cotton County**, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the District 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 our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies that are listed in the accompanying schedule of findings of questioned costs as finding 2011-2.

**Walters Independent School District #1-1**, Cotton County, Oklahoma, responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit **Walters Independent School District's** responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing board, management, others within the agency, federal awarding agencies and pass-through entities 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  
December 5, 2011

**Walters ISD No. 1, Cotton County**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2011

**Section 1**

**Summary of Auditor's Results**

Financial Statements

1. Type of auditor's report issued	Adverse (Due to F/S being prepared on a regulatory basis of accounting)
2. Internal control over financial reporting;	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2. Type of auditor's report issued on compliance for major program:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)?	No
4. Identification of major programs:	
<u>CFDA Number</u> 84.041/84.401A	<u>Name of Federal Program</u> Impact Aid Cluster
5. Dollar threshold used to distinguish between Type A or Type B programs:	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No



**Walters ISD No. 1, Cotton County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011  
(continued)

## Section 2

### Financial Statement Findings

#### **2011-1 Finding**

Statement of Condition - Prenumbered tickets are not always being issued to patrons at the gates and usually, the gate workers don't even have tickets. After the game the Athletic Director tears off the number of tickets needed to match the funds collected. Also, there is only one signature on concession reconciliation.

Criteria - To establish good internal controls, prenumbered tickets should be given to patrons as they pay. Also, concession proceeds should be counted by two individuals prior to money being placed in possession of one individual.

Cause/Effect of Condition - Gate workers are not given tickets, making it impossible to reconcile tickets sold to cash collected prior to gate workers signing the reconciliation sheet. Concession workers apparently did not understand that two individuals were to count the money and sign the concession sheet before money was placed into the hands of one individual. Both of these conditions open up opportunities for theft since procedures are not being followed to document and sign off on sheets prior to money being placed into the possession of one individual.

Recommendation - We recommend tickets be issued to patrons as they pay and a reconciliation of tickets issued to money collected be prepared and signed off on by two individuals prior to money being placed in the possession of one individual. Two individuals should count the concession proceeds, document amount collected and sign off prior to money being placed in the possession of one individual.

Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendations and will emphasize the need to follow procedures to their employees.

## Section 3

### Federal Award Findings and Questioned Costs

#### **2011-2 Finding - Project 777 STOP Grant CFDA#93.243 Fiscal Year Ending June 30, 2011**

Statement of Condition - STOP Grant are called down directly from the federal agency once qualifying expenditures have been made. On 7-20-11, the District called down \$11,303.24 (the ending balance in the grant) instead of the \$6,913.18 that was actually expended. Thus, the District claimed \$4,390.06 more than they expended.

Criteria - Federal regulations require grant monies be expended within 3 days of being received.

Cause/Effect of Condition - It appears the federal programs coordinator looked at the wrong line of the report. The District may be required to refund the over claimed amount.

Recommendation - The District should contact the federal agency to determine whether monies must be refunded or if a future reimbursement can be reduced.

Views of Responsible Officials and Planned Corrective Actions - The District will contact the federal agency.

**Walters ISD No. 1, Cotton County**  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2011

**Financial Statement Findings**

**2010-1 Finding – Lack of Segregation of Duties**

**Condition** – The District has a lack of segregation of duties. A good system of internal control provides for a proper segregation of the accounting functions. Specifically, the treasurer also serves as the payroll clerk and the activity fund clerk collects/deposits money, writes checks, maintains accounting records, and reconciles the bank account.

**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** – The finding does not warrant further action. The District's management does not feel that it would be cost effective to segregate these duties.

**Management Letter Findings**

**2010-2 Finding** – During our audit, it was brought to our attention that prenumbered tickets are given to gate workers; however, they wait until they are finished counting money and then tear off amount needed to match collections. Also, it appears only one person is counting concession proceeds.

**Recommendation** – Prenumbered tickets should be given to patrons as they pay. After the game, the money should be counted by two individuals and a reconciliation prepared to agree tickets issued to money collected. If there is a difference, it should be noted on the reconciliation form. Also, concession proceeds should be counted by two individuals prior to money be placed in the possession of one individual. These internal controls should be implemented in order to protect the school and the individuals collecting money.

**Current Status** – We continued to note deficiencies in this area. See Finding 2011-1 on the Schedule of Findings and questioned costs.

**2010-3 – Finding** – Yearbook deposits were not being made timely. One deposit was turned into the office on 5-24-10 but some of the checks included in the deposit were dated as early as 3-22-10. Also, it appears that receipts were not issued for all monies received for this deposit and some receipts did not have amounts or dates. Oklahoma state statutes require deposits be made whenever cash on hand is \$100 or more, but at least once a week.

**Recommendation** - We recommend sponsors turn in money to activity fund custodian daily.

**Current Status** – Deposits were made more timely during the 2010-11 year.

**Page 2**  
**Walters School**

**2010-4 – Finding** – It appears federal matching teacher retirement was paid on 5 salaries coded to the ARRA Education Stabilization Fund (project 782) and the Government Service Fund (project 789). According to a memorandum the Oklahoma Department of Education, these two federal projects are not required to have the federal matching teacher retirement paid. We have listed the employees coded to these project codes and the estimated overpayments. The payroll clerk should calculate the actual overpayment.

T. Lynn West	\$2,077
Jessica Pierce	846
Steven Jose	1,906
Trena Glenn	1,486
Kent Sloan	1,892

\_\_\_\_\_

\$ 8,207.

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**Recommendation** – The school should request a refund from teacher retirement for these overpayments.

**Current Status** – The District received a refund check on December 2, 2010.

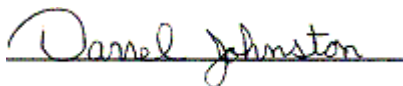
OTHER INFORMATION

Walters ISD No. 1, Cotton 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 *Walters Schools* for the audit year 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 2011.

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

My Commission Expires 11-12-2012