

Zaneis School District No. CO72
Carter County, Oklahoma

Financial Statements
Year-End June 30, 2011

RHJ

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma

School District Officials
July 01, 2010 to June 30, 2011

Board of Education

President	Gary Brewer
Vice-President	Lindsay Southward
Member	Buddy Withers

Clerk of Board of Education

Buddy Withers

School District Treasurer

Beth Billingsley

Administrative Principal of School

Calvin Wade

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Carter County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Zaneis School District No. CO72
Wilson, Oklahoma

We have audited the accompanying fund type and account group financial statements of Zaneis School District No. CO72, Carter 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. These financial statements are the responsibility of the Board of Education and administration of the school district. 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 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 discussed in Note 1, Zaneis School District No. CO72, Carter County, Oklahoma prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which differ from accounting principles generally accepted in the United States of America. The effects 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.

100 E Street S.W., Suite 200 | Ardmore, OK 73401

Telephone (580) 223-6454 | FAX 1-800-858-9329

As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with the regulatory basis of accounting. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, because of the effects of the matter discussed in the second preceding 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 each fund of Zaneis School District No. CO72 as of June 30, 2011, or changes in financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for the effects of the omission of the Fixed Asset Account Group described in the second preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Zaneis School District No. CO72, Carter County, Oklahoma, as of June 30, 2011, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012, on our consideration of Zaneis School District No. CO72's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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 express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental 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 Zaneis School District No. CO72's financial statements as a whole. The combining financial statements, schedule of expenditures of federal awards, statement of statutory, fidelity and honesty bonds, and schedule of accountant's professional liability insurance are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial 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 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 financial statements as a whole. The statement of statutory, fidelity and honesty bonds, and schedule of accountant's professional liability insurance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

April 6, 2012

Zaneis School District No. CO72
Carter County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Equity
Regulatory Basis – All Governmental Fund Types and Account Groups
June 30, 2011

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	Total (memorandum only - Note 1)
	General	Special Revenue	Trust and Agency	June 30, 2011
<u>ASSETS</u>				
Cash	\$ 998,128	\$ 149,786	\$ 51,819	\$ 1,199,733
Total Assets	<u>\$ 998,128</u>	<u>\$ 149,786</u>	<u>\$ 51,819</u>	<u>\$ 1,199,733</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 128,227	\$ 4,427	\$ -	\$ 132,654
Due to others	-	-	51,819	51,819
Total Liabilities	<u>128,227</u>	<u>4,427</u>	<u>51,819</u>	<u>184,473</u>
Fund Equity:				
Unreserved:				
Undesignated	869,901	145,359	-	1,015,260
Total Cash Fund Balances	<u>869,901</u>	<u>145,359</u>	<u>-</u>	<u>1,015,260</u>
Total Liabilities and Fund Equity	<u>\$ 998,128</u>	<u>\$ 149,786</u>	<u>\$ 51,819</u>	<u>\$ 1,199,733</u>

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

Zaneis School District No. CO72
Carter County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
Regulatory Basis – All Governmental Fund Types
For the Year Ended June 30, 2011

	<u>Governmental Fund Types</u>		Total
	<u>General</u>	<u>Special Revenue</u>	(memorandum only - Note 1) <u>June 30, 2011</u>
Revenues collected:			
Local sources	\$ 218,626	\$ 71,208	\$ 289,834
Intermediate sources	50,269	-	50,269
State sources	1,273,455	10,708	1,284,163
Federal sources	214,315	118,014	332,329
Total Revenues Collected	<u>1,756,665</u>	<u>199,930</u>	<u>1,956,595</u>
Expenditures paid:			
Instruction	1,070,963	-	1,070,963
Support services	577,712	-	577,712
Non-Instructional services	200	188,317	188,517
Capital outlay	-	-	-
Other outlays	-	-	-
Total expenditures paid	<u>1,648,875</u>	<u>188,317</u>	<u>1,837,192</u>
Excess of revenues collected over (under) expenditures paid	107,790	11,613	119,403
Cash fund balances, beginning of year	<u>762,111</u>	<u>133,746</u>	<u>895,857</u>
Cash fund balances, end of year	<u>\$ 869,901</u>	<u>\$ 145,359</u>	<u>\$ 1,015,260</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual

Regulatory Basis – Budgeted Governmental Fund Types

For the Year Ended June 30, 2011

	General Fund				Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 762,112	\$ 762,112	\$ 762,112	\$ -	\$ 133,746	\$ 133,746	\$ 133,746	\$ -
Revenues collected:								
Local sources	198,269	198,269	218,626	20,357	68,607	68,607	71,208	2,601
Intermediate sources	38,635	38,635	50,269	11,634	-	-	-	-
State sources	1,240,676	1,240,676	1,273,455	32,779	1,982	1,982	10,708	8,726
Federal sources	247,006	247,006	214,315	(32,691)	116,130	116,130	118,014	1,884
Total Revenues Collected	<u>1,724,586</u>	<u>1,724,586</u>	<u>1,756,665</u>	<u>32,079</u>	<u>186,719</u>	<u>186,719</u>	<u>199,930</u>	<u>13,211</u>
Expenditures paid:								
Instruction	1,908,786	1,908,786	1,070,963	837,823	-	-	-	-
Support services	577,712	577,712	577,712	-	-	-	-	-
Non-Instructional services	200	200	200	-	221,956	221,956	188,317	33,639
Capital outlay	-	-	-	-	98,509	98,509	-	98,509
Other outlays	-	-	-	-	-	-	-	-
Total Expenditures paid	<u>2,486,698</u>	<u>2,486,698</u>	<u>1,648,875</u>	<u>837,823</u>	<u>320,465</u>	<u>320,465</u>	<u>188,317</u>	<u>132,148</u>
Excess of revenues collected over (under) expenditures paid	(762,112)	(762,112)	107,790	869,902	(133,746)	(133,746)	11,613	145,359
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 869,902</u>	<u>\$ 869,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,359</u>	<u>\$ 145,359</u>

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

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

The basic financial statements of the Zaneis School District, CO72, Carter 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.

A. The Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma for 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 administrative principal 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

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 two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue fund consists of the District's Building Fund and Child Nutrition 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.

The Child Nutrition Fund derives monies from local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting – (continued)

Fiduciary Fund Types

Agency Fund - 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. The District does not report any account groups.

Memorandum Only - Total Column

The total column on the basic regulatory 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.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

C. Basis of Accounting and Presentation (continued)

- 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.

Estimates - The preparation of financial statements in conformity with the regulatory basis of accounting requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Noncash Transactions - The District received federal food commodities in the amount of \$7,687 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$10,602 directly to the teacher retirement fund on behalf of the District's employees.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable count clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

Budgets and Budgetary Accounting – (continued)

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

E. Assets Liabilities and Fund Equity

Investments – The District’s investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for all amounts not covered by FDIC insurance.

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 halves 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 financial statements.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

Assets Liabilities and Fund Equity – (continued)

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave.

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

F. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school 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 educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical education 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies – (continued)

F. Revenue, Expenses and Expenditures – (continued)

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

2. Cash

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2011, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

3. Employee Retirement System

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152.

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates are determined by Oklahoma Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The required contribution for the participating members is 7% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions. For the 2011 fiscal year, the district contributed 9.5% of covered salaries plus covered fringe benefits. In addition, if a member's salary is paid in part by federal funds, the contribution rate for that portion of salary must be matched by the District at a rate of 6.5%.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2011

3. *Employee Retirement System – (continued)*

The District's total contributions for 2011, 2010 and 2009 were approximately \$72,638, \$76,182 and \$66,771, respectively equal to the required contribution for the year. These contributions include the District's statutory contribution and the federal match.

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

4. *Contingencies*

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

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Special Revenue Funds
June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 100,749	\$ 49,037	\$ 149,786
Total Assets	<u>\$ 100,749</u>	<u>\$ 49,037</u>	<u>\$ 149,786</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ -	\$ 4,427	\$ 4,427
Total Liabilities	<u>-</u>	<u>4,427</u>	<u>4,427</u>
 Fund Equity:			
Unreserved:			
Undesignated	100,749	104,205	145,359
Total Cash Fund Balances	<u>100,749</u>	<u>104,205</u>	<u>145,359</u>
 Total Liabilities and Fund Equity	 <u>\$ 100,749</u>	 <u>\$ 108,632</u>	 <u>\$ 149,786</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
Revenues collected:			
Local sources	\$ 29,080	\$ 42,128	\$ 71,208
State Sources	-	10,708	10,708
Federal Sources	-	118,014	118,014
Total Revenues Collected	<u>29,080</u>	<u>170,850</u>	<u>199,930</u>
Expenditures paid:			
Non-Instructional Services	-	188,317	188,317
Capital outlay	-	-	-
Total expenditures paid	<u>-</u>	<u>188,317</u>	<u>188,317</u>
Excess of revenues collected over (under) expenditures paid	<u>29,080</u>	<u>(17,467)</u>	<u>11,613</u>
Cash fund balances, beginning of year	<u>71,669</u>	<u>62,077</u>	<u>133,746</u>
Cash fund balances, end of year	<u>\$ 100,749</u>	<u>\$ 44,610</u>	<u>\$ 145,359</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2011

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 71,669	\$ 71,669	\$ 71,669	\$ 62,077	\$ 62,077	\$ 62,077	\$ 133,746	\$ 133,746	\$ 133,746
Revenues collected:									
Local sources	26,840	26,840	29,080	41,767	41,767	42,128	68,607	68,607	71,208
State sources	-	-	-	1,982	1,982	10,708	1,982	1,982	10,708
Federal sources	-	-	-	116,130	116,130	118,014	116,130	116,130	118,014
Total Revenues Collected	<u>26,840</u>	<u>26,840</u>	<u>29,080</u>	<u>159,879</u>	<u>159,879</u>	<u>170,850</u>	<u>186,719</u>	<u>186,719</u>	<u>199,930</u>
Expenditures paid:									
Non-Instructional Services	-	-	-	221,956	221,956	188,317	221,956	221,956	188,317
Capital outlay	98,509	98,509	-	-	-	-	98,509	98,509	-
Total expenditures paid	<u>98,509</u>	<u>98,509</u>	<u>-</u>	<u>221,956</u>	<u>221,956</u>	<u>188,317</u>	<u>320,465</u>	<u>320,465</u>	<u>188,317</u>
Excess of revenues collected over (under) expenditures paid	<u>(71,669)</u>	<u>(71,669)</u>	<u>29,080</u>	<u>(62,077)</u>	<u>(62,077)</u>	<u>(17,467)</u>	<u>(133,746)</u>	<u>(133,746)</u>	<u>11,613</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,359</u>

Zaneis School District No. CO72
 Carter County, Oklahoma
 Supplemental Schedule
 Combining Statement of Revenues Changes in Cash Balances – Regulatory Basis
 Activity Funds
 For the Year Ended June 30, 2011

	<u>BEGINNING</u> <u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING</u> <u>BALANCE</u>
Annual	\$ 10,182	\$ -	\$ 6,141	\$ 4,041
Athletics	3,194	4,658	4,181	3,671
Booster Club	34,689	22,572	19,590	37,671
Extended Care	1,158	774	-	1,932
Interest	307	107	178	236
Petty Cash	-	497	497	-
Pop / Eight Grade	3,440	7,864	7,036	4,268
	<u>\$ 52,970</u>	<u>\$ 36,472</u>	<u>\$ 37,623</u>	<u>\$ 51,819</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2010</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2011</u>
U.S. Dept. of Education						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 27,898	\$ 27,898	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	20,397	20,397	-
			<u>-</u>	<u>48,295</u>	<u>48,295</u>	<u>-</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	76,557	76,557	-
Title II Part A - REAP	84.367	586	-	8,331	8,331	-
ARRA State Fiscal Stabilization Funds - Education	84.394	782	-	61,998	61,998	-
			-	-	-	-
Education Jobs Fund	84.410	790	-	19,134	19,134	-
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 214,315</u>	<u>\$ 214,315</u>	<u>\$ -</u>
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555	385	\$ -	\$ 90,947	\$ 90,947	\$ -
School Breakfast Program	10.553	385	-	27,067	27,067	-
Child Nutrition Cluster Cash Assistance			<u>-</u>	<u>118,014</u>	<u>118,014</u>	<u>-</u>
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance						
National School Lunch Program -- Commodities	10.550		-	7,687	7,687	-
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 125,701</u>	<u>\$ 125,701</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 340,016</u>	<u>\$ 340,016</u>	<u>\$ -</u>

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

	<u>CFDA #</u>	<u>Program #</u>	<u>Balance 6/30/2010</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2011</u>
ARRA State Fiscal Stabilization Funds - Education	84.394	782	\$ -	\$ 61,998	\$ 61,998	\$ -

Zaneis School District No. C072
Carter County, Oklahoma
Supplemental Schedule
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Zaneis School District No. C072, Carter County, Oklahoma. The schedule is prepared using the cash receipts and disbursement basis. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received. Expenditures include amounts claimed as indirect costs in applicable.



**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
Zaneis School District No. CO72
Wilson, Oklahoma

We have audited the financial statements of each fund type and account group of Zaneis School District No. CO72, as of and for the year June 30, 2011, which collectively comprise Zaneis School District's basic financial statements and have issued our report thereon dated April 6, 2012. Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements in accordance with the regulatory basis of accounting prescribed by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. The report on the general fixed asset account group was qualified because the District did not present the General Fixed Asset Account Group as required by the regulatory basis of accounting. Except as discussed in the preceding sentence, 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 Zaneis School District No. CO72, Carter County, Oklahoma'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 Zaneis School District No. CO72, Carter County, Oklahoma's internal control over financial reporting. Accordingly, we do

not express an opinion on the effectiveness of Zaneis School District No. CO72, Carter County, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described as 2011-1 and 2011-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Zaneis School District No. CO72, Carter County, Oklahoma'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as 2010-3.

Zaneis School District No. CO72's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Zaneis School District No. CO72'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, management and 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

April 6, 2012

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Responses
June 30, 2011

2011-1 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

Cause: The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

Effect: Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

Recommendation: We recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Responses
June 30, 2011

2011-2 Segregation of Duties

Condition: The treasurer performs posting of cash receipts, preparing the deposit and reconciling bank accounts.

Criteria: An adequately designed internal control system separates duties over handling cash between custody, approval, and recordkeeping.

Cause: Limited availability of staff

Effect: Risk that errors or omissions will not be identified in a timely manner.

Recommendation: We recommend that another staff member be involved in the process of handling cash that comes into the District administrative office.

*Views of Responsible Officials
and Planned Corrective*

Action: District will evaluate the current procedures and revise to include an additional person for oversight.

2011-3 Activity Fund Receipts

Condition: Individual receipts are not being issued by sub-account teacher or sponsors. Therefore, timely deposits within state laws are not supported.

Criteria: Oklahoma State Department of Education regulation 210:25-5-13 for activity funds requires that prenumbered receipts shall be issued for every subaccount. Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.

Cause: Failure to follow state statutes and regulation.

Context: Twenty Six out of Twenty Six receipts tested did not have sponsor receipts or adequate support proving date received and from whom. Since all twenty six receipts did not have proper supporting receipts, unable to determine the timeliness of when the funds were received by the district.

Effect: Risk of misappropriation of funds due to lack of information to determine the time in which funds were collected by sub-account sponsor and given to Activity Funds Clerk. Non-compliance with state law and regulations

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Responses
June 30, 2011

Recommendation: We recommend that sub-account teacher and sponsors issue prenumbered receipts with dates when funds are received from students or a class list be kept documenting amount collected and date collected.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2011

2010-1 *Condition:* Individual receipts are not being issued by sub-account sponsors.

Recommendation: The Auditor recommended that prenumbered receipt books need to be issued to all sponsors whom collect money. Receipts should be given to all students by sponsors for funds collected unless the amount is below a small dollar amount as set by the board where a class list can be used. When funds are turned into the custodian, the sponsor receipts should be reconciled to the funds turned in and the sponsor receipt numbers recorded on the custodian receipt.

Current Status: Condition still exist, see current year finding 2011-3

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2011

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2010 to July 1, 2011.

The superintendent is bonded by the Western Surety Company, bond number 68437065, for the penal sum of \$100,000 for the term of August 1, 2010 to August 01, 2011.

The lunch fund custodian is bonded by Western Surety Company, bond number 70129280, for the penal sum of \$1,000 for the term July 1, 2010 to July 1, 2011.

The encumbrance and minutes clerk is bonded by Western Surety Company, bond number 69377777, for the penal sum of \$1,000 for the term August 5, 2010 to August 5, 2011.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Accountant's Professional Liability Insurance (unaudited)
For the Year Ended June 30, 2011

State of Oklahoma)

County of Carter)

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 Zaneis School District No. CO72 for the audit year 2010-2011.

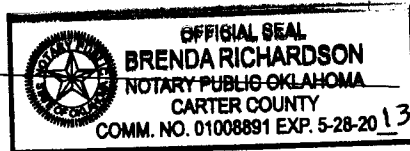
RAHHAL HENDERSON JOHNSON, PLLC

BY: Mary E. Johnson
Authorized Agent

Subscribed and sworn to before me on this 10th day of April, 2012.

Brenda Richardson
Notary Public

Commission Number: _____



My commission expires on: _____ day of, _____, 20__.