

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

**BIXBY SCHOOL DISTRICT NO. I-4,
TULSA COUNTY, OKLAHOMA**

JUNE 30, 2012

Audited by

SANDERS, BLEDSOE & HEWETT CPA's, LLP

BROKEN ARROW, OK

**INDEPENDENT SCHOOL DISTRICT NO. I-4
TULSA COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-4
TULSA COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-4
TULSA COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

BOARD OF EDUCATION

President	Wendell Nolan
Vice-President	Lisa Kramer
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SCHOOL DISTRICT TREASURER

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Bixby School District No. I-4
Bixby, Oklahoma

We have audited the accompanying fund type and account group financial statements of Bixby School District No. I-4 (the District), Tulsa County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2012 and 2011, or the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2012 and 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the years 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 November 1, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an opinion on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 1, 2012

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2012**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>(Memorandum Only)</u>	
							<u>2012</u>	<u>2011</u>
Cash	\$ 3,744,118	1,553,758	570,229	10,568,547	1,177,932		17,614,584	19,501,706
Investments	3,010,980	930,584	3,870,624		200,000		8,012,188	9,294,240
Amounts available in debt service						402,658	402,658	311,187
Amounts to be provided for retirement of general long-term debt						80,451,432	80,451,432	41,207,257
Total Assets	<u>6,755,098</u>	<u>2,484,342</u>	<u>4,440,853</u>	<u>10,568,547</u>	<u>1,377,932</u>	<u>80,854,090</u>	<u>106,480,862</u>	<u>70,314,390</u>
 <u>LIABILITIES AND FUND EQUITY</u>								
Liabilities								
Warrants payable	1,093,651	4,458					1,098,109	1,355,840
Encumbrances	826,065	19,411		2,895			848,371	1,119,626
Funds held for school organizations					1,377,932		1,377,932	1,287,497
Unmatured obligations			4,038,195				4,038,195	3,707,970
Long-term debt:								
Bonds payable						29,575,000	29,575,000	27,500,000
Capital leases						51,279,090	51,279,090	14,018,444
Total liabilities	<u>1,919,716</u>	<u>23,869</u>	<u>4,038,195</u>	<u>2,895</u>	<u>1,377,932</u>	<u>80,854,090</u>	<u>88,216,697</u>	<u>48,989,377</u>
Fund Equity								
Cash fund balances	<u>4,835,382</u>	<u>2,460,473</u>	<u>402,658</u>	<u>10,565,652</u>			<u>18,264,165</u>	<u>21,325,013</u>
Total Liabilities and Fund Equity	<u>\$ 6,755,098</u>	<u>2,484,342</u>	<u>4,440,853</u>	<u>10,568,547</u>	<u>1,377,932</u>	<u>80,854,090</u>	<u>106,480,862</u>	<u>70,314,390</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
JUNE 30, 2012

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	2012	2011
Revenues						
Local sources	\$ 11,487,234	2,511,530	8,588,965	8,665	22,596,394	21,353,432
Intermediate sources	1,167,891				1,167,891	1,085,902
State sources	13,103,434	28,499			13,131,933	12,277,590
Federal sources	1,950,424	601,789			2,552,213	4,179,161
Non-revenue receipts	182,337	316			182,653	196,956
Total revenues	<u>27,891,320</u>	<u>3,142,134</u>	<u>8,588,965</u>	<u>8,665</u>	<u>39,631,084</u>	<u>39,093,041</u>
Expenditures						
Instruction	18,170,711	14,594			18,185,305	16,318,436
Support services	11,629,052	1,667,789		44,123	13,340,964	12,455,578
Operation of non-instructional services	702,037	805,637			1,507,674	1,346,153
Facilities, acquisition and const. services		23,368		11,074,469	11,097,837	6,415,500
Other outlays	5,748	182			5,930	3,949
Debt service			8,497,494		8,497,494	7,936,497
Repayments	41,365	3,668			45,033	34,257
Total expenditures	<u>30,548,913</u>	<u>2,515,238</u>	<u>8,497,494</u>	<u>11,118,592</u>	<u>52,680,237</u>	<u>44,510,370</u>
Revenues over (under) expenditures	(2,657,593)	626,896	91,471	(11,109,927)	(13,049,153)	(5,417,329)
Other financing sources (uses)						
Lapsed appropriations	147,583	189,195			336,778	57,676
Estopped warrants	1,433	94			1,527	1,609
Operating transfers in (out)	600,000	(600,000)				
Bond proceeds				9,650,000	9,650,000	9,200,000
Total other financing sources (uses)	<u>749,016</u>	<u>(410,711)</u>		<u>9,650,000</u>	<u>9,988,305</u>	<u>9,259,285</u>
Revenue and other sources over (under) expenditures and other uses	(1,908,577)	216,185	91,471	(1,459,927)	(3,060,848)	3,841,956
Cash fund balance, beginning of year	<u>6,743,959</u>	<u>2,244,288</u>	<u>311,187</u>	<u>12,025,579</u>	<u>21,325,013</u>	<u>17,483,057</u>
Cash fund balance, end of year	<u>\$ 4,835,382</u>	<u>2,460,473</u>	<u>402,658</u>	<u>10,565,652</u>	<u>18,264,165</u>	<u>21,325,013</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 GENERAL FUND - REGULATORY BASIS
 JUNE 30, 2012**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 10,303,727	10,303,727	11,487,234
Intermediate sources	993,968	993,968	1,167,891
State sources	12,135,721	12,135,721	13,103,434
Federal sources	1,820,000	1,820,000	1,950,424
Non-revenue receipts			182,337
Total revenues	<u>25,253,416</u>	<u>25,253,416</u>	<u>27,891,320</u>
Expenditures			
Instruction	18,170,711	18,170,711	18,170,711
Support services	11,629,052	11,629,052	11,629,052
Operation of non-instructional services	702,037	702,037	702,037
Other outlays	5,748	5,748	5,748
Repayments	41,365	41,365	41,365
Noncategorical	<u>1,951,087</u>	<u>1,951,087</u>	<u>1,951,087</u>
Total expenditures	<u>32,500,000</u>	<u>32,500,000</u>	<u>30,548,913</u>
Revenues over (under) expenditures	(7,246,584)	(7,246,584)	(2,657,593)
Other financing sources (uses)			
Lapsed appropriations			147,583
Estopped warrants			1,433
Operating transfers in (out)	<u>502,625</u>	<u>502,625</u>	<u>600,000</u>
Total other financing sources (uses)	<u>502,625</u>	<u>502,625</u>	<u>749,016</u>
Revenue and other sources over (under) expenditures and other uses	(6,743,959)	(6,743,959)	(1,908,577)
Cash fund balance, beginning of year	<u>6,743,959</u>	<u>6,743,959</u>	<u>6,743,959</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>4,835,382</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2012**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 2,186,820	2,186,820	2,511,530
State sources	26,431	26,431	28,499
Federal sources	542,461	549,869	601,789
Non-revenue receipts			316
Total revenues	2,755,712	2,763,120	3,142,134
Expenditures			
Instruction	14,594	14,594	14,594
Support services	1,667,789	1,667,789	1,667,789
Operation of non-instructional services	805,637	805,637	805,637
Facilities acquisitions and construction	23,368	23,368	23,368
Other outlays	182	182	182
Repayments	3,668	3,668	3,668
Noncategorical	1,884,762	1,892,170	
Total expenditures	4,400,000	4,407,408	2,515,238
Revenues over (under) expenditures	(1,644,288)	(1,644,288)	626,896
Other financing sources (uses)			
Lapsed appropriations			189,195
Estopped warrants			94
Operating transfers in (out)	(600,000)	(600,000)	(600,000)
Total other financing sources (uses)	(600,000)	(600,000)	(410,711)
Revenue and other sources over (under) expenditures and other uses	(2,244,288)	(2,244,288)	216,185
Cash fund balance, beginning of year	2,244,288	2,244,288	2,244,288
Cash fund balance, end of year	\$ -	-	2,460,473

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 DEBT SERVICE FUNDS
 JUNE 30, 2012**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 8,186,307	8,186,307	8,588,965
Expenditures			
Other outlays			
Debt service	8,497,494	8,497,494	8,497,494
Revenues over (under) expenditures	(311,187)	(311,187)	91,471
Cash fund balance, beginning of year	311,187	311,187	311,187
Cash fund balance, end of year	\$ -	-	402,658

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

The combined financial statements – regulatory basis of the Bixby Public Schools District No. I-4 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

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

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

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

The School Education Foundation is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority.

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

B. Fund Accounting - cont'd

services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

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

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

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

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

Proprietary Fund Types

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

B. Fund Accounting - cont'd

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

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

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

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

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

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

Account Group

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

B. *Fund Accounting* - cont'd

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

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

Memorandum Only - Total Column

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

C. *Basis of Accounting and Presentation*

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered or reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenue are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, is measurable.

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

C. Basis of Accounting and Presentation – cont'd

Revenue and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general and special revenue funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received, are reported as reservations of fund balances, since the commitments will be honored through subsequent years budget appropriations.

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

D. Budgets and Budgetary Accounting

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

D. Budgets and Budgetary Accounting – cont'd

A budget is legally adopted by the Board of Education for the General and Special Revenue Funds that include revenues and expenditures.

The 2011-12 Estimate of Needs was amended by supplemental appropriations as follows:

<u>Fund</u>	<u>Total</u>
Co-Op	\$ 7,408

This amendment was approved by the county excise board.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

E. Assets, Liabilities and Fund Equity

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

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

Inventories - The value of consumable inventories at June 30, 2012 is not material to the combined financial statements-regulatory basis.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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

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

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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

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

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor,

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

F. Revenue and Expenditures - cont'd

upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. **Summary of Significant Accounting Policies-** cont'd

F. Revenue and Expenditures- cont'd

categorical educational program revenues be accounted for in the general fund.

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

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

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

The majority of the federal revenues received by the District are apportioned to the General fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

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

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

F. Revenue and Expenditures - cont'd

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

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

Other Outlays Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable.

Other Outlays/Uses Expenditures - This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating or residual equity transfers made during the 2011-12 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

2. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2012, was \$25,626,772. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2012, the District's investments consisted of certificates of deposits with an approximate fair market value of \$8,012,188.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with Citizens Security, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. General Long-term Debt

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

3. **General Long-term Debt** – cont'd

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

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012:

	Bonds <u>Payable</u>	Capital <u>Leases</u>	<u>Totals</u>
Balance, July 1, 2011	\$27,500,000	14,018,444	41,518,444
Additions	9,650,000	44,570,000	54,220,000
Retirements	<u>7,575,000</u>	<u>7,309,354</u>	<u>14,884,354</u>
Balance, June 30, 2012	<u>\$29,575,000</u>	<u>51,279,090</u>	<u>80,854,090</u>

A brief description of the outstanding long-term debt at June 30, 2012 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2012, original issue \$9,650,000, interest rate of 0.50-1.05%, due in annual installments of \$2,410,000, final payment of \$2,420,000 due May 1, 2017;	\$ 9,650,000
General Obligation, Series 2008, original issue \$8,000,000, interest rate of 3.00-3.50%, due in annual installments of \$2,000,000, final payment due June 1, 2013;	2,000,000
Building Bonds, Series 2009, original issue \$8,000,000, interest rate of 2.10-2.60%, due in annual installments of \$2,000,000, final payment of due June 1, 2014;	4,000,000
Building Bonds, Series 2010, original issue \$6,300,000, interest rate of 4.40-2.55%, due in annual installments of \$1,575,000, final payment of due May 1, 2015;	4,725,000

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

3. **General Long-term Debt – cont'd**

	<u>Amount outstanding</u>
<u>General Obligation Bonds – cont'd</u>	
General Purpose, Series 2012, original issue \$9,200,000, interest rate of 1.10-1.95%, due in annual installments of \$2,300,000, final payment due May 1, 2016;	\$ 9,200,000
<u>Capital Leases</u>	
Lease agreement for building projects, dated 5-22-08, totaling \$23,578,000, interest rate of 3.50%, due in annual principal and interest payments as follows: \$4,900,000 on 7/15/09; \$6,300,000 on 7/15/2010; \$7,800,000 on 7/15/2012; and \$6,943,908 on 7/15/2012;	6,709,090
Lease agreement for building projects, dated 1-14-11, totaling \$44,570,000, interest rate of 3.95%, due in various principal and interest payments beginning 8/15/12 with final payment on 8/15/18.	<u>44,570,000</u>
Totals	<u>\$ 80,854,090</u>

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2013	\$ 7,875,000	470,055	8,345,055
2014	8,285,000	298,155	8,583,155
2015	6,285,000	158,537	6,443,537
2016	7,710,000	74,125	4,784,125
2017	<u>2,420,000</u>	<u>19,360</u>	<u>2,439,360</u>
Totals	<u>\$ 29,575,000</u>	<u>1,020,232</u>	<u>30,595,232</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

3. General Long-term Debt – cont'd

The annual debt service requirements for the retirement of lease payments are as follows:

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2013	\$ 6,892,725	1,691,183	8,583,908
2014	5,346,739	1,753,261	7,100,000
2015	5,867,935	1,542,065	7,410,000
2016	5,199,718	1,310,282	6,510,000
2017	6,805,107	1,104,893	7,910,000
Thereafter	<u>21,166,866</u>	<u>1,349,708</u>	<u>22,516,574</u>
Total	<u>\$ 51,279,090</u>	<u>8,751,392</u>	<u>29,918,258</u>

There was \$1,082,915 interest paid on general long-term debt incurred during the current year.

4. Employee Retirement System

Plan Description

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

Basis of Accounting

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Employee Retirement System – cont'd

school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. For the 2010-11 fiscal year, the

Funding Policy

district's contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2012, 2011 and 2010 were \$2,822,870, \$2,511,196, and \$2,453,459 respectively.

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

5. Risk Management

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

5. Risk Management – cont’d

The District participates in a risk pool for Worker’s Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers’ compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school’s losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District’s liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest. The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

6. Contingencies

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2010-11 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expend more than \$500,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District that would have a material effect on the financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2012**

ASSETS	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
				2012	2011
Cash	\$ 1,279,291	7,829	266,638	1,553,758	1,413,707
Investments	<u>729,091</u>		<u>201,493</u>	<u>930,584</u>	<u>1,226,483</u>
Total Assets	<u><u>2,008,382</u></u>	<u><u>7,829</u></u>	<u><u>468,131</u></u>	<u><u>2,484,342</u></u>	<u><u>2,640,190</u></u>
 <u>LIABILITIES AND FUND EQUITY</u> 					
Liabilities					
Warrants payable	493	332	3,633	4,458	110,128
Encumbrances	<u>19,411</u>			<u>19,411</u>	<u>285,774</u>
Total liabilities	<u>19,904</u>	<u>332</u>	<u>3,633</u>	<u>23,869</u>	<u>395,902</u>
Fund Equity					
Cash fund balances	<u>1,988,478</u>	<u>7,497</u>	<u>464,498</u>	<u>2,460,473</u>	<u>2,244,288</u>
Total Liabilities and Fund Equity	<u><u>\$ 2,008,382</u></u>	<u><u>7,829</u></u>	<u><u>468,131</u></u>	<u><u>2,484,342</u></u>	<u><u>2,640,190</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
				2012	2011
Revenues					
Local sources	\$ 1,733,110		778,420	2,511,530	2,342,602
State sources			28,499	28,499	27,823
Federal sources		20,479	581,310	601,789	570,137
Non-revenue receipts	182		134	316	512
Total revenues	<u>1,733,292</u>	<u>20,479</u>	<u>1,388,363</u>	<u>3,142,134</u>	<u>2,941,074</u>
Expenditures					
Instruction		14,594		14,594	39,448
Support services	1,663,620	4,169		1,667,789	2,210,956
Operation of non-instructional services			805,637	805,637	763,408
Facilities, acquisition and const. services	23,368			23,368	115,500
Other outlays	182			182	
Repayments			3,668	3,668	2,297
Total expenditures	<u>1,687,170</u>	<u>18,763</u>	<u>809,305</u>	<u>2,515,238</u>	<u>3,131,609</u>
Revenues over (under) expenditures	46,122	1,716	579,058	626,896	(190,535)
Other financing sources (uses)					
Lapsed appropriations	189,195			189,195	18,206
Estopped warrants			94	94	1,412
Operating transfers in (out)			(600,000)	(600,000)	(472,277)
Total other financing sources (uses)	<u>189,195</u>	<u>-</u>	<u>(599,906)</u>	<u>(410,711)</u>	<u>(452,659)</u>
Revenue and other sources over (under) expenditures and other uses	235,317	1,716	(20,848)	216,185	(643,194)
Cash fund balance, beginning of year	<u>1,753,161</u>	<u>5,781</u>	<u>485,346</u>	<u>2,244,288</u>	<u>2,887,482</u>
Cash fund balance, end of year	<u>\$ 1,988,478</u>	<u>7,497</u>	<u>464,498</u>	<u>2,460,473</u>	<u>2,244,288</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-4, TULSA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2012**

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues									
Local sources	\$ 1,471,839	1,471,839	1,733,110				714,981	714,981	778,420
State sources							26,431	26,431	28,499
Federal sources				19,219	26,627	20,479	523,242	523,242	581,310
Non-revenue receipts			182						134
Total revenues	<u>1,471,839</u>	<u>1,471,839</u>	<u>1,733,292</u>	<u>19,219</u>	<u>26,627</u>	<u>20,479</u>	<u>1,264,654</u>	<u>1,264,654</u>	<u>1,388,363</u>
Expenditures									
Instruction				14,594	14,594	14,594			
Support services	1,663,620	1,663,620	1,663,620	4,169	4,169	4,169			
Operation of non-instructional services							805,637	805,637	805,637
Facilities acquisitions and construction	23,368	23,368	23,368						
Other outlays	182	182	182						
Repayments							3,668	3,668	3,668
Noncategorical	1,537,830	1,537,830		6,237	13,645		340,695	340,695	
Total expenditures	<u>3,225,000</u>	<u>3,225,000</u>	<u>1,687,170</u>	<u>25,000</u>	<u>32,408</u>	<u>18,763</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>809,305</u>
Revenues over (under) expenditures	(1,753,161)	(1,753,161)	46,122	(5,781)	(5,781)	1,716	114,654	114,654	579,058
Other financing sources (uses)									
Lapsed appropriations			189,195						
Estopped warrants									94
Operating transfers in (out)							(600,000)	(600,000)	(600,000)
Total other financing sources (uses)			<u>189,195</u>			<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(599,906)</u>
Revenue and other sources over (under) expenditures and other uses	(1,753,161)	(1,753,161)	235,317	(5,781)	(5,781)	1,716	(485,346)	(485,346)	(20,848)
Cash fund balance, beginning of year	<u>1,753,161</u>	<u>1,753,161</u>	<u>1,753,161</u>	<u>5,781</u>	<u>5,781</u>	<u>5,781</u>	<u>485,346</u>	<u>485,346</u>	<u>485,346</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,988,478</u>	<u>-</u>	<u>-</u>	<u>7,497</u>	<u>-</u>	<u>-</u>	<u>464,498</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
 JUNE 30, 2012**

	<u>2012</u> <u>BUILDING</u> <u>BOND FUND</u>	<u>2012</u> <u>TRANSP.</u> <u>BOND FUND</u>	<u>2011</u> <u>BUILDING</u> <u>BOND FUND A</u>	<u>2011</u> <u>TRANSP.</u> <u>BOND FUND</u>	<u>TOTALS</u> <u>(Memorandum Only)</u>	
<u>ASSETS</u>					<u>2012</u>	<u>2011</u>
Cash	<u>\$ 9,264,448</u>	<u>350,000</u>	<u>876,331</u>	<u>77,768</u>	<u>10,568,547</u>	<u>12,297,811</u>
 <u>LIABILITIES AND FUND EQUITY</u> 						
Liabilities						
Encumbrances	<u>2,895</u>				<u>2,895</u>	<u>272,232</u>
Total Liabilities	<u>2,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,895</u>	<u>272,232</u>
Fund equity						
Cash fund balances	<u>9,261,553</u>	<u>350,000</u>	<u>876,331</u>	<u>77,768</u>	<u>10,565,652</u>	<u>12,025,579</u>
Total Liabilities and Fund Equity	<u>\$ 9,264,448</u>	<u>350,000</u>	<u>876,331</u>	<u>77,768</u>	<u>10,568,547</u>	<u>12,297,811</u>

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	2012 BUILDING BOND FUND	2012 TRANSP. BOND FUND	2011 BUILDING BOND FUND A	2011 BUILDING BOND FUND B	2011 TRANSP. BOND FUND	2010 BUILDING BOND FUND	TOTALS (Memorandum Only)	
							2012	2011
Revenues								
Local sources (interest earnings)	\$ 3,676	-	1,966	3,023	-	-	8,665	25,890
Expenditures								
Support Services	42,123		2,000				44,123	276,254
Facilities, acquisition & const. services			4,706,106	3,274,469		3,093,894	11,074,469	6,300,000
Total expenditures	42,123	-	4,708,106	3,274,469	-	3,093,894	11,118,592	6,576,254
Revenues over (under) expenditures	(38,447)	-	(4,706,140)	(3,271,446)	-	(3,093,894)	(11,109,927)	(6,550,364)
Other financing sources (uses)								
Lapsed appropriations							-	
Bond sales proceeds	9,300,000	350,000					9,650,000	9,200,000
Total other financing sources (uses)	9,300,000	350,000	-	-	-	-	9,650,000	9,200,000
Revenue and other sources over (under) expenditures and other uses	9,261,553	350,000	(4,706,140)	(3,271,446)	-	(3,093,894)	(1,459,927)	2,649,636
Cash fund balance, beginning of year	-	-	5,582,471	3,271,446	77,768	3,093,894	12,025,579	9,375,943
Cash fund balance, end of year	\$ 9,261,553	350,000	876,331	-	77,768	-	10,565,652	12,025,579

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - ALL FIDUCIARY FUND TYPES - REGULATORY BASIS
 JUNE 30, 2012**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
<u>ASSETS</u>	2012	2011
Cash	\$ 1,177,932	1,087,497
Investments	200,000	200,000
Total Assets	1,377,932	1,287,497

LIABILITIES AND FUND EQUITY

Liabilities		
Funds held for school organizations	\$ 1,377,932	1,287,497

**INDEPENDENT SCHOOL DISTRICT NO. 1-4, TULSA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
Assets					
Cash	\$ 1,087,497	2,010,894		1,920,459	1,177,932
Investments	200,000				200,000
Total Assets	\$ 1,287,497	2,010,894	-	1,920,459	1,377,932
Liabilities					
Funds held for school organizations:					
819 All Sports	\$ 271,267	365,380	(4,411)	341,359	290,877
821 Weight Rm. Fund	5	-		-	5
822 Spartan Club	3,706	19,862	(8,512)	11,511	3,545
901 Art	901	131		629	403
903 Middle School Band	9,872	33,931		34,039	9,764
904 Band Student Account	20,758	129,790	3,017	111,945	41,620
905 Band Boosters	30,822	100,314	(1,083)	84,140	45,913
906 Concession Repair	5,876	-		-	5,876
908 Community Education	19,594	129,093	(1,352)	123,853	23,482
909 Banquet Account	5,980	400	200	1,993	4,587
911 Interact	1,830	1,245		1,134	1,941
913 Math Counts	-	2,699		2,498	201
914 Art - M.S.	17	1,740		1,476	281
915 FFA	9,242	58,356		58,292	9,306
916 DECA	2,302	4,712	(25)	6,451	538
917 FCCLA	3,039	17,464		17,773	2,905
918 FFA Boosters	17,942	13,844	(50)	12,907	18,829
919 French Club	146	1,323	(665)	730	74
920 Central Art	6,004	14,492	(61)	12,191	8,244
921 German Club	2,922	6,286	300	6,839	2,669
923 Interest	184,549	937		-	185,486
924 Jr. Class	12,338	8,714		10,063	10,989
925 Journalism	701	2,380	250	1,994	1,337
926 Media Center	3,873	3,377	(15)	2,095	5,140
927 Brassfield Media Center	11,697	6,018		5,494	12,221
928 Central Media Center	8,709	12,334	61	11,289	9,815
929 Slow Pitch Softball	-	380	621	200	801
930 Key Club	660	115		236	539
931 Musical	5,299	4,493		3,242	6,550
932 NHS	3,280	11,910		4,845	10,345
933 FCA	\$ 834	1,323		1,850	307
934 Cheer/Dance	\$ 53,570	85,254	12,482	113,423	37,883
935 Grad-Fest	10,375	27,909	800	26,869	12,215
936 North 5/6 Accel Reader	325	46		-	371
937 North 5/6 Media Center	7,983	9,352		8,241	9,094
938 North 5/6 PTA	2,135	-		-	2,135
939 North 5/6 Stuco	4,796	4,502	86	3,366	6,018
940 H.S. History Club	30	153		98	85
941 Sr. Class	976	6,787	600	5,839	2,524
942 Drama	1,146	13,498	(37)	13,317	1,290
943 Tech Ed	1,513	-		-	1,513
944 Student Council - H.S.	124	19,528	300	11,198	8,754
945 Swim Team Booster Club	1,929	11,632		10,984	2,577
946 Spanish Club	3,132	-	40	143	3,029
947 Bixby Swim Club	3,009	4,930	(494)	7,222	223
948 Swim Pool Fund	458	-		-	458
949 SADD	72	-		-	72
950 Robotics	3,390	2,897	1,000	2,925	4,362
951 Textbook Fund	6,378	-		-	6,378
952 Vocal H.S.	4,325	12,728	(522)	12,368	4,163
953 Miscellaneous II	288,164	393,057	12,134	383,564	309,791
954 H.S. Workbooks	2,122	-		-	2,122
955 Yearbooks H.S.	17,022	27,913	55	40,279	4,711
956 Central Year Books	6,516	7,525		6,479	7,562
957 North 5/6 Yearbook	3,452	4,703		3,198	4,957
958 BSN Prof. of America Club	371	1		192	180
959 FBLA	5,607	-		5,004	603
960 Special Services	43,359	43,835	173	45,436	41,931
961 H.S. Academic Team	606	1,077	(30)	1,038	615
962 Track Booster Club	1,117	-		604	513
963 Basketball Booster Club	7,001	19,452	(5,796)	10,140	10,517
964 Tennis Booster Club	2,740	7,401	(410)	6,833	2,898
965 M.S. Student Council	3,414	6,452		7,403	2,463
966 Middle School Media	4,523	6,045	(30)	5,236	5,302
967 Middle School Vocal	5,878	5,818		7,016	4,690
968 BEA	74	-		-	74
969 PTA Central	390	-		-	390
970 PTA Bixby North	11,075	36,445		39,113	8,407
971 PTA Brassfield	133	-		-	133
972 M.S. Yearbooks	4,412	4,216		4,738	3,890
973 Cheerleading Boosters	11,317	18,024	(2,447)	18,821	8,073
974 Softball Booster Club	9,941	24,182	(642)	26,352	7,129
975 Band Activities	59	40		20	79
976 Indian Club Account	815	-		-	815
977 Science Club	\$ 373	-		-	373
978 MCJROTC Booster Club	\$ 1,419	2,642	377	2,931	1,507
979 Accelerated Reader	1,532	868		865	1,535
981 Baseball Booster Club	47,342	72,272	(475)	61,806	57,333
982 Spanish Club MS	800	1,069		711	1,158
983 China Exchange Program	-	14,138	(14,138)	-	-
984 ROTC	3,484	8,613	4,985	13,106	3,976
985 H.S. Student Store	4,626	14,030	1,599	11,642	8,613
986 Volleyball Booster Club	1,034	50,023	1,940	45,421	7,576
987 Middle School PTO	115	500		615	615
988 Wrestling Booster Club	1,696	15,239		10,483	6,452
989 Spartan Testing Fund	11,048	26,902		24,514	13,436
990 Soccer Booster Club	14,248	17,640		19,994	11,894
991 Bixby North Media Center	5,990	12,988		13,884	5,094
992 Bixby North Yearbooks	5,561	5,975		7,635	3,901
993 Brassfield Yearbooks	1,538	3,539		3,498	1,579
994 Brassfield Student Council	1,660	1,801		1,293	2,168
995 Hall of Fame	3,439	2,190		2,613	3,016
996 North Hospitality	21	770		655	136
997 Freshman Class	751	-		89	662
998 Sophomore Class	881	1,250		792	1,339
Total Liabilities	\$ 1,287,497	2,010,894	-	1,920,459	1,377,932

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
U.S. Department of Education:							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	S060A081286	\$ 119,827		103,999	119,827	(15,828)
Title VII-Part A, Indian Education 2010-11 - Note 1		S060A071286		(27,283)	27,283		-
Subtotal			<u>119,827</u>	<u>(27,283)</u>	<u>131,282</u>	<u>119,827</u>	<u>(15,828)</u>
Passed Through State Department of Human Services:							
Job Training - OJT	84.126		12,690		12,074	12,690	(616)
Job Training - OJT 2010-11 Note 1	84.126			(642)	642		
Medicaid	93.778		113,994		113,994	113,994	
Subtotal			<u>126,684</u>	<u>(642)</u>	<u>126,710</u>	<u>126,684</u>	<u>(616)</u>
Passed Through State Department of Education:							
Title I-Part A, Improving Basic Programs	84.010		301,484			273,197	(273,197)
Title I-Part A 2010-11 - Note 1	84.010			(270,595)	270,595		-
Special Education Programs -							
Flowthrough, P.L. 105-17	84.027		923,532			909,170	(909,170)
Flowthrough, P.L. 105-17 2010-11 - Note 1	84.027			(893,018)	893,018		-
Flowthrough ARRA 2010-11 - Note 1	84.391			(104,465)	104,465		-
Project ECCO	84.391		208			208	(208)
Preschool, Ages 3-5, P.L. 105-17	84.173		41,942			23,204	(23,204)
Preschool, Ages 3-5, P.L. 105-17 2010-11 - Note 1	84.173			(23,970)	23,970		-
Preschool ARRA 2010-11 - Note 1	84.392			(6,863)	6,863		-
Title IV-Part A 2010-11 - Note 1	84.186			(185)	185		-
Title II-Part D, Educational Technology	84.318		56			56	(56)
Title II-Part D, Educ. Tech. 2010-11 - Note 1	84.318			(707)	707		-
Title II-Part D, Educ. Tech. Prof. Dev. 2010-11 - Note 1	84.318			(826)	826		-
Title II-Part A, Teacher & Principal Training	84.336		114,487			101,257	(101,257)
Title II-Part A 2010-11 - Note 1	84.336			(108,262)	108,262		-
Title III-Part A, English as a Second Language	84.365		32,408			17,627	(17,627)

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
Title III-Part A 2010-11 - Note 1	84.365			(20,479)	20,479		-
Education Jobs Fund	84.410			(184,169)	184,169		-
Subtotal			<u>\$ 1,414,117</u>	<u>(1,613,539)</u>	<u>1,613,539</u>	<u>1,324,719</u>	<u>(1,324,719)</u>
<i>Passed Through State Department of Career and Technology Education:</i>							
Carl Perkins Grant	84.048					27,989	(27,989)
Carl Perkins Grant 2010-11 - Note 1	84.048			(26,838)	26,838		-
Subtotal			<u>-</u>	<u>(26,838)</u>	<u>26,838</u>	<u>27,989</u>	<u>(27,989)</u>
<i>U.S. Department of Agriculture: Passed Through State Department of Education: Child Nutrition Cluster:</i>							
<i>Non-Cash Assistance (Commodities):</i>							
National School Lunch Program	10.555				81,409	81,409	-
Non-Cash Assistance Subtotal					<u>81,409</u>	<u>81,409</u>	
<i>Cash Assistance:</i>							
National Schhol Lunch Program	10.555				483,272	483,272	
School Breakfast Program	10.553				98,039	98,039	-
Cash Assistance Subtotal					<u>581,311</u>	<u>581,311</u>	
Total For Program (Cluster)				<u>-</u>	<u>662,720</u>	<u>662,720</u>	<u>-</u>
<i>Other Federal Assistance:</i>							
JROTC - Marines	12.N/A		72,524		66,463	72,524	(6,061)
JROTC - Marines 2010-11 - Note 1	12.N/A			(6,048)	6,048		-
Flood Control	12.112		24		24	24	-
Subtotal			<u>72,548</u>	<u>(6,048)</u>	<u>72,535</u>	<u>72,548</u>	<u>(6,061)</u>
Total Federal Assistance			<u>\$ 1,733,176</u>	<u>(1,674,350)</u>	<u>2,633,624</u>	<u>2,334,487</u>	<u>(1,375,213)</u>

* Major federal programs

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/ Pass-through			Balance at 7/01/2010	Revenue Collected	Total Expenditures	Balance at 6/30/2011
	Federal CFDA Number	Grantor's Number	Program or Award Amount				
Other Federal Assistance:							
JROTC - Marines	12.N/A		71,930		65,882	71,930	(6,048)
JROTC - Marines 2009-10 - Note 1	12.N/A			(5,941)	5,941		
Flood Control	12.112		<u>22</u>		<u>22</u>	<u>22</u>	
Subtotal			<u>71,952</u>	<u>(5,941)</u>	<u>71,845</u>	<u>71,952</u>	<u>(6,048)</u>
Total Federal Assistance			<u>\$ 4,063,819</u>	<u>(1,367,799)</u>	<u>4,290,855</u>	<u>4,597,406</u>	<u>(1,674,350)</u>

* Major federal programs

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

Note 2 - Commodities received by the District in the amount of \$111,694 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Ohio Casualty Insurance	Treasurer	5071296	\$ 100,000	7/1/11-6/30/12
	Superintendent	5056070	100,000	7/1/11-6/30/12
	Encumbrance Clerk	5061836	100,000	7/1/11-6/30/12
	Activity Fund Custodian	5061833	100,000	7/1/11-6/30/12
	Chief Financial Officer	5061871	100,000	7/1/11-6/30/12
	Payroll Director	5061829	100,000	7/1/11-6/30/12
	Activity Fund Custodian	5061831	100,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061860	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061857	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061849	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061847	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061846	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061843	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061841	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061856	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061868	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5062264	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061823	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061867	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061861	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061837	10,000	7/1/11-6/30/12
	Activity Fund Custodian	5061835	10,000	7/1/11-6/30/12
	Child Nutrition Custodian	5061825	10,000	7/1/11-6/30/12
Activity Fund Custodian	5061826	10,000	7/1/11-6/30/12	



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P.O. Box 1310 * 112 W. Dallas St. * Broken Arrow, OK 74012 * (918) 449-9991 * (800) 522-3831 * Fax (918) 449-9779

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

The Honorable Board of Education
Bixby School District No. I-4
Bixby, Oklahoma

We have audited the combined financial statements – regulatory basis of Bixby School District No. I-4, (the District) Bixby, Oklahoma, as of and for the year ended June 30, 2012, which, except for the omission of the general fixed assets account group have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States, 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

Management of the District, is responsible for establishing and maintaining effective 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 opinion 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 1, 2012



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P.O. Box 1310 * 112 W. Dallas St. * Broken Arrow, OK 74012 * (918) 449-9991 * (800) 522-3831 * Fax (918) 449-9779

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

The Honorable Board of Education
Bixby School District No. I-4
Bixby, Oklahoma

Compliance

We have audited Bixby School District (the District) No. I-4, Bixby, Oklahoma's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. 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; 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 consider 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, the District's 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, 2012.

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 our 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 District'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.

This report is intended solely for the information and use of the school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 1, 2012

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section 1 – Summary of Auditor’s Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no findings which were required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are the IDEA-B Special Education Programs (84.027, 84.173, 84.391) and the Child Nutrition Programs (10.553, 10.555), which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was not determined to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

No findings

Section 3 – Findings and questioned costs for federal awards:

No findings

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2012

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-4, TULSA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, 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 Bixby Public Schools for the audit year 2011-12.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP
Auditing Firm

By _____
Authorized Agent

Subscribed and sworn to before me
This 1st day of November, 2012

Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2016
Commission No. 00008621