

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

**PANAMA INDEPENDENT SCHOOL DISTRICT NO. 1-20,
LEFLORE COUNTY, OKLAHOMA**

JUNE 30, 2012

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012

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INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-6
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements - Regulatory Basis - Performed in Accordance with Government Auditing Standards	7-8
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9-10
Disposition of Prior Year's Significant Deficiencies and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Equity All Fund Types and Account Groups – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15-17
Notes to Combined Financial Statements - Regulatory Basis	18-32
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Equity – All Special Revenue Funds – Regulatory Basis	33

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
JUNE 30, 2012

Page No.

Combining Financial Statements – Regulatory Basis – cont'd

Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	34
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	35
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	36
Schedule of Expenditures of Federal Awards – Regulatory Basis	37
Schedule of Statutory, Fidelity and Honesty Bonds	38
Schedule of Accountant’s Professional Liability Insurance Affidavit	39



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Panama School District No. I-20
Panama, Oklahoma

We have audited the accompanying fund type and account group financial statements of Panama School District No. I-20 (the District), LeFlore County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. 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 using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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.

In our opinion, because of the matters discussed in the third paragraph, the combined financial statements – regulatory basis referred to in the first paragraph do not present fairly, the financial position of the District, as of June 30, 2012, or the results of its operations for the year 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 the revenues collected, expenditures paid and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 important for 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

March 5, 2013



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

The Honorable Board of Education
Panama Mission School District No. I-20
Panama, Oklahoma

We have audited the combined financial statements – regulatory basis of Panama School District No. I-20, (the District) Panama, 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 March 5, 2013. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepting accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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 or other matters 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

March 5, 2013



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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
Panama School District No. I-20
Panama, Oklahoma

Compliance

We have audited the compliance of Panama School District No. I-20 (the District), Panama, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 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 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be detected or prevented by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 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

March 5, 2013

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2012

There were no prior year significant deficiencies.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE 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, over financial reporting.
3. The audit disclosed no instances of noncompliance which are 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 audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are the Title I Program (84.010), which was not clustered in determination, 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 determined not to be a low-risk auditee.

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

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LeFLORE COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS
 JUNE 30, 2003

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>AGENCY FUNDS</u>	<u>GENERAL LONG-TERM DEBT</u>	
ASSETS							
Cash	\$ 1,047,445	274,754	55,695	85	45,325	-	1,423,304
Amounts available in debt service	-	-	-	-	-	54,448	54,448
Amount to be provided for retirement of long-term debt	-	-	-	-	-	370,552	370,552
Total Assets	<u>\$ 1,047,445</u>	<u>274,754</u>	<u>55,695</u>	<u>85</u>	<u>45,325</u>	<u>425,000</u>	<u>1,848,304</u>
LIABILITIES AND FUND EQUITY							
Liabilities							
Warrants payable	\$ 426,869	108,195	-	-	-	-	535,064
Encumbrances	22,243	239	-	-	-	-	22,482
Unmatured obligations	-	-	51,247	-	-	-	51,247
Funds held for school organizations	-	-	-	-	45,325	-	45,325
Long-term debt:							
Bonds payable	-	-	-	-	-	425,000	425,000
Total liabilities	<u>449,112</u>	<u>108,434</u>	<u>51,247</u>	<u>0</u>	<u>45,325</u>	<u>425,000</u>	<u>1,079,118</u>
Fund Equity							
Cash fund balances	<u>598,333</u>	<u>166,320</u>	<u>4,448</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>769,186</u>
Total Liabilities and Fund Equity	<u>\$ 1,047,445</u>	<u>274,754</u>	<u>55,695</u>	<u>85</u>	<u>45,325</u>	<u>425,000</u>	<u>1,848,304</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2012

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	AGENCY FUNDS	GENERAL LONG-TERM DEBT	
ASSETS						
Cash	\$ 834,769	114,264	124	60,767		1,009,924
Amounts available in debt service					124	124
Amounts to be provided for retirement of long-term debt					159,943	159,943
Total Assets	<u>\$ 834,769</u>	<u>114,264</u>	<u>124</u>	<u>60,767</u>	<u>160,067</u>	<u>1,169,991</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Warrants payable	\$ 269,640	530				270,170
Funds held for school organizations				60,767		60,767
Long-term debt:						
Capital leases					160,067	160,067
Total liabilities	<u>269,640</u>	<u>530</u>	<u>0</u>	<u>60,767</u>	<u>160,067</u>	<u>491,004</u>
Fund Equity:						
Cash fund balances	<u>565,129</u>	<u>113,734</u>	<u>124</u>	<u>0</u>	<u>0</u>	<u>678,987</u>
Total Liabilities and Fund Equity	<u>\$ 834,769</u>	<u>114,264</u>	<u>124</u>	<u>60,767</u>	<u>160,067</u>	<u>1,169,991</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
Revenues collected:				
Local sources	\$ 692,557	126,525	565	819,647
Intermediate sources	75,410			75,410
State sources	3,175,079	5,222		3,180,301
Federal sources	533,552	250,880		784,432
Interest earnings	1,487	309	13	1,809
Non-revenue receipts	<u>134,955</u>			<u>134,955</u>
Total revenues collected	<u>4,613,040</u>	<u>382,936</u>	<u>578</u>	<u>4,996,554</u>
Expenditures:				
Instruction	2,849,488			2,849,488
Support services	1,569,569	101,042		1,670,611
Operation of non-instructional services	206,292	151,773		358,065
Other uses:				
Reimbursements		134,955		134,955
Repayments	<u>226</u>			<u>226</u>
Total expenditures	<u>4,625,575</u>	<u>387,770</u>	<u>0</u>	<u>5,013,345</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(12,535)	(4,834)	578	(16,791)
Other financing sources (uses):				
Transfers in (out)	8,172		(8,172)	0
Adjustments to prior year encumbrances	<u>625</u>	<u>180</u>	<u>0</u>	<u>805</u>
Total other financing sources (uses)	<u>8,797</u>	<u>180</u>	<u>(8,172)</u>	<u>805</u>
Excess of revenues collected over (under) expenditures	(3,738)	(4,654)	(7,594)	(15,986)
Cash fund balances, beginning of year	<u>568,867</u>	<u>118,388</u>	<u>7,718</u>	<u>694,973</u>
Cash fund balances, end of year	<u>\$ 565,129</u>	<u>113,734</u>	<u>124</u>	<u>678,987</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 601,014	601,014	692,557	91,543
Intermediate sources	66,601	66,601	75,410	8,809
State sources	3,091,243	3,163,738	3,175,079	11,341
Federal sources	440,706	471,745	533,552	61,807
Interest earnings			1,487	1,487
Non-revenue receipts			134,955	134,955
Total revenues collected	<u>4,199,564</u>	<u>4,303,098</u>	<u>4,613,040</u>	<u>309,942</u>
Expenditures:				
Instruction	2,849,488	2,849,488	2,849,488	
Support services	1,569,569	1,569,569	1,569,569	
Operation of non-instructional services	206,292	206,292	206,292	
Other uses:				
Repayments	143,082	246,616	226	246,390
Total expenditures	<u>4,768,431</u>	<u>4,871,965</u>	<u>4,625,575</u>	<u>246,390</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(568,867)	(568,867)	(12,535)	556,332
Other financing sources (uses):				
Transfer from Sinking Fund			8,172	8,172
Adjustments to prior year encumbrances			625	625
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>8,797</u>	<u>8,797</u>
Excess of revenue collected over (under) expenditures	(568,867)	(568,867)	(3,738)	565,129
Cash fund balance, beginning of year	<u>568,867</u>	<u>568,867</u>	<u>568,867</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>565,129</u>	<u>565,129</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 108,455	126,525	18,070
State sources	6,038	5,222	(816)
Federal sources	232,973	250,880	17,907
Interest earnings		309	309
Total revenues collected	347,466	382,936	35,470
Expenditures:			
Support services	116,619	101,042	15,577
Operation of non-instructional services	180,900	151,773	29,127
Reimbursement	168,335	134,955	33,380
Total expenditures	465,854	387,770	78,084
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(118,388)	(4,834)	113,554
Adjustments to prior year encumbrances	0	180	180
Excess of revenues collected and other financing sources over (under) expenditures	(118,388)	(4,654)	113,734
Cash fund balances, beginning of year	118,388	118,388	0
Cash fund balances, end of year	\$ 0	113,734	113,734

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

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$	565	565
Interest earnings		13	13
Total revenues collected	0	578	578
Transfer to General Fund	0	8,172	(8,172)
Excess of revenue collected over (under) expenditures	0	(7,594)	(7,594)
Cash fund balance, beginning of year	7,718	7,718	0
Cash fund balance, end of year	\$ 7,718	124	(7,594)

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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 Panama Public Schools Independent District No. I-20 (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.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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 Funds – Special revenue funds include the District’s building, co-op and child nutrition funds. The District did not maintain the co-op fund during the 2011-12 fiscal year.

Building Fund – The building fund consists mainly of monies derived from 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 school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

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 Fund – 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.

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. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

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 any expendable trust funds during the 2011-12 school year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

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 the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group – This account group is established to account for all the 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 or results of operations in conformity with generally accepted accounting principles. Neither is

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports 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/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 revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues 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, building and child nutrition 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 year's 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

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting – cont'd

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.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

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. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

E. Assets, Liabilities and Fund Equity

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

Investments – The District is allowed to invest in 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, and trust companies; and warrants, bonds or judgments

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

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.

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

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

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

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 cocurricular 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.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase orders, 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, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls 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 is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, 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 tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenues from intermediate sources are the amounts 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 are 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 from or additions to the revenue of the year when the adjustment is made.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

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 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 passthrough 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.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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

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

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

Facilities Acquisition and Construction Services Expenditures – Consist 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 improvements 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).

Other 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, expenditures 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.

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. During the 2011-12 fiscal year, the Sinking Fund transferred \$8,172 to the General Fund.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE 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 \$1,010,610. 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 held no outstanding investments.

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. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no inter-fund receivables or payables at June 30, 2012.

4. 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-20, LEFLORE COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

4. GENERAL LONG-TERM DEBT – cont'd

General long-term debt of the District consists of 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:

	Capital Leases
Balance, July 1, 2011	\$ 96,020
Additions	131,150
Retirements	(67,103)
Balance, June 1, 2012	\$ 160,067

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

	Amount Outstanding
<u>Capital Leases:</u>	
Lease purchase of a Duralast roof, dated 7-28-09, totaling \$117,000, due in annual principal and interest installments of \$27,369, final payment due 9-1-14	\$ 73,894
Lease purchase for school buses, dated 8-15-11, totaling \$131,150, due in annual principal and interest installments of \$44,976, final payment due 8-15-13	86,173
Total	\$ 160,067

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 65,803	6,543	72,346
2014	68,312	4,033	72,345
2015	25,952	1,417	27,369
Total	\$ 160,067	11,993	172,060

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is 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 the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

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

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. The District contributed 9.5% in the 2011-12 fiscal year and the State of Oklahoma contributed the remaining amount during this year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd

member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were \$363,546, \$457,107, and \$458,523, respectively.

6. RISK MANAGEMENT

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

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.

7. CONTINGENCIES

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

7. CONTINGENCIES – cont'd

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2011-12 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 expended more than \$500,000 in federal awards.

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2012

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	<u>\$ 62,460</u>	<u>51,804</u>	<u>114,264</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 530	0	530
Fund Equity:			
Cash fund balances	<u>61,930</u>	<u>51,804</u>	<u>113,734</u>
Total Liabilities and Fund Equity	<u>\$ 62,460</u>	<u>51,804</u>	<u>114,264</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:			
Local sources	\$ 98,588	27,937	126,525
State sources		5,222	5,222
Federal sources		250,880	250,880
Interest earnings	88	221	309
Total revenues collected	<u>98,676</u>	<u>284,260</u>	<u>382,936</u>
Expenditures:			
Support services	101,042		101,042
Operation of non-instructional services		151,773	151,773
Reimbursement		134,955	134,955
Total expenditures	<u>101,042</u>	<u>286,728</u>	<u>387,770</u>
Excess of revenues collected over financing sources over (under) expenditures before adjustments to prior year encumbrances	(2,366)	(2,468)	(4,834)
Adjustments to prior year encumbrances	<u>180</u>	<u>0</u>	<u>180</u>
Excess of revenues collected over financing sources over (under) expenditures	(2,186)	(2,468)	(4,654)
Cash fund balances, beginning of year	<u>64,116</u>	<u>54,272</u>	<u>118,388</u>
Cash fund balances, end of year	<u>\$ 61,930</u>	<u>51,804</u>	<u>113,734</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 85,883	85,883	98,588	\$ 22,572	22,572	27,937
State sources				6,038	6,038	5,222
Federal sources				232,973	232,973	250,880
Interest earnings			88			221
Total revenues collected	<u>85,883</u>	<u>85,883</u>	<u>98,676</u>	<u>261,583</u>	<u>261,583</u>	<u>284,260</u>
Expenditures:						
Support services	116,619	116,619	101,042			
Operation of non-instructional services				180,900	180,900	151,773
Reimbursement	<u>33,380</u>	<u>33,380</u>		<u>134,955</u>	<u>134,955</u>	<u>134,955</u>
Total expenditures	<u>149,999</u>	<u>149,999</u>	<u>101,042</u>	<u>315,855</u>	<u>315,855</u>	<u>286,728</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(64,116)	(64,116)	(2,366)	(54,272)	(54,272)	(2,468)
Adjustment to prior year encumbrances	<u>0</u>	<u>0</u>	<u>180</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues collected over (under) expenditures	(64,116)	(64,116)	(2,186)	(54,272)	(54,272)	(2,468)
Cash fund balances, beginning of year	<u>64,116</u>	<u>64,116</u>	<u>64,116</u>	<u>54,272</u>	<u>54,272</u>	<u>54,272</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>61,930</u>	<u>\$ 0</u>	<u>0</u>	<u>51,804</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> 7-01-11	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-12
ASSETS					
Cash	<u>\$ 55,363</u>	<u>242,831</u>	<u>0</u>	<u>237,427</u>	<u>60,767</u>
LIABILITIES					
Funds held for school organizations:					
Football	\$ 90	16,059		15,427	722
Basketball	4,146	21,630		22,612	3,164
Softball	3,105	35,398		38,301	202
Baseball	1,912	17,421		14,181	5,152
HS cheerleaders	2,041	15,255		15,936	1,360
Business Prof. America	140	0		0	140
Upper elementary	8,294	16,578		15,582	9,290
Class of 2014	100	2,480		899	1,681
FFA	2,419	21,968		22,023	2,364
FCCLA	15	9,463		9,409	69
Class of 2013	907	5,249		3,709	2,447
Class of 2010	342	0	(342)	0	0
Class of 2011	545	0	(545)	0	0
Class of 2012	3,070	4,726	887	8,096	587
Annual	941	17,077		17,947	71
Scholarship	1,103	1,050		1,025	1,128
Art club	5	0		0	5
Band activity	249	2,248		2,244	253
General activity	4,474	16,250		16,676	4,048
Faculty flower fund	35	0		0	35
Student council	689	0		105	584
National Honor Society	1,029	293		136	1,186
Middle school activity	910	3,960		4,271	599
Triple A	33	0		25	8
Jr. High cheerleaders	14	304		0	318
Tech Ed	120	0		0	120
Lower elementary	17,756	35,422		28,716	24,462
Drama club	879	0		107	772
Total Liabilities	<u>\$ 55,363</u>	<u>242,831</u>	<u>0</u>	<u>237,427</u>	<u>60,767</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, LEFLORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/11	Revenue Collected	Total Expenditures	Balance at 6/30/12
U.S. Department of Education:							
Direct Programs							
Indian Education	84.060	S060A112158	\$ 50.262		50.262	50.262	
Impact Aid	84.041	S041B-2012-4134	78,301		78,301	-	
Sub Total			<u>128,563</u>	<u>0</u>	<u>128,563</u>	<u>50,262</u>	<u>0</u>
Passed Through State Department of Education							
*Title I	84.010		231.087		171.696	172.275	579
Title I 2010-11 - Note	84.010			26,574	26,574		
Title II, Part A	84.367		55.125		31.463	31.930	467
Title II, Part A 2010-11 - Note	84.367			2,534	2,534		
Title II, Part D	84.318		869		869	869	
Title II, Part D 2010-11 - Note	84.318			1,250	1,250		
IDEA-B, Flow Through	84.027		140.340		140.340	140.340	
IDEA-B, Flow Through 2010-11 - Note	84.027			1,932	1,932		
IDFA-B, Preschool	84.173		4,612		4,600	4,600	
Title VI, Part B	84.358		14,645		6,391	7,034	643
Sub Total			<u>446,678</u>	<u>32,290</u>	<u>387,649</u>	<u>357,048</u>	<u>1,689</u>
Passed Through State Department of Career and Technology Education:							
Carl Perkins grant	84.048		9,114	0	9,114	9,114	0
U.S. Department of Agriculture:							
Passed Through State Department of Education							
*Child Nutrition Programs:							
School breakfast program	10.553				61.077	28,528	
National school lunch program	10.555				189,803	104,547	
Sub Total					<u>250,880</u>	<u>133,075</u>	
Passed through Department of Human Services							
Non-cash assistance - Commodities - Note 1							
*National school lunch program	10.555				20,142	20,142	
Other Federal Assistance:							
Johnson O'Malley	15.130		10,140		7,794	7,794	
Flood control	12.112		434		434	434	
Sub Total			<u>10,574</u>	<u>0</u>	<u>8,228</u>	<u>8,228</u>	<u>0</u>
Total Federal Assistance			<u>\$ 594,929</u>	<u>32,290</u>	<u>804,576</u>	<u>577,869</u>	<u>1,689</u>

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

Note 1 - Commodities received by the District in the amount of \$20,142 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. 1-20 LEFLORE 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>
CNA Surety - Westen Surety Company	Treasurer	69211414	\$ 100,000	9/01/11 - 9/01/12
	Superintendent	70879426	100,000	2/19/12 - 2/19/13
	Encumbrance Clerk / Payroll / Minutes Clerk	70857713	100,000	1/12/12 - 1/12/13
	Activity Fund Custodians	70857726	100,000	1/12/12 - 1/12/13
Old Republic Surety Group	Position Schedule	POB2084069	5,000	11/5/11 - 11/5/12

INDEPENDENT SCHOOL DISTRICT NO. I-20, LEFLORE 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 Panama 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 5th day of March, 2013

Notary Public (or Clerk or Judge)

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