

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

**ANADARKO INDEPENDENT SCHOOL DISTRICT NO. I-20,
CADDO COUNTY, OKLAHOMA**

JUNE 30, 2012

Audited by

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

BROKEN ARROW, OK

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

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

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JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying fund type and account group financial statements of Anadarko School District No. I-20 (the District), Caddo 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 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, 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/expenses, 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 November 2, 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 2, 2012

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

We have audited the combined financial statements – regulatory basis of Anadarko School District (the District) No. I-20, Anadarko, 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 2, 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.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 2, 2012

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

Compliance

We have audited Anadarko School District (the District) No. I-20, Anadarko, 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 2, 2012

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

There were no prior year significant deficiencies or material instances of non-compliance.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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 were the Title I Programs (84.010, 84.389), which were clustered in determination, and P.L. 874 Impact Aid (84.041), which was not clustered.
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, CADDO 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	CAPITAL PROJECTS	DEBT SERVICE	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	
ASSETS							
Cash	\$ 2,363,387	270,891	1,925,000	621,928	163,600		5,344,806
Investments	800,000				272,224		1,072,224
Amounts available in debt service						48,323	48,323
Amount to be provided for retirement of long-term debt						3,226,677	3,226,677
Total Assets	\$ 3,163,387	270,891	1,925,000	621,928	435,824	3,275,000	9,692,030
LIABILITIES AND FUND EQUITY							
Liabilities							
Warrants payable	\$ 973,444	60,572	82,794				1,116,810
Encumbrances	101,122		709,403		800		811,325
Unmatured obligations				573,605			573,605
Funds held for school organizations					109,787		109,787
Long-term debt:							
Bonds payable						3,195,000	3,195,000
Capital leases						80,000	80,000
Total liabilities	1,074,566	60,572	792,197	573,605	110,587	3,275,000	5,886,527
Fund Equity							
Cash fund balances	2,088,821	210,319	1,132,803	48,323	325,237	0	3,805,503
Total Liabilities and Fund Equity	\$ 3,163,387	270,891	1,925,000	621,928	435,824	3,275,000	9,692,030

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

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

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	DEBT SERVICE	EXPENDABLE TRUST FUNDS	
Revenues collected:						
Local sources	\$ 1,401,713	370,343		699,842	14,743	2,486,641
Intermediate sources	251,171					251,171
State sources	9,820,743	99,641				9,920,384
Federal sources	3,440,423	1,268,122				4,708,545
Interest earnings	1,647	32,150		6,858		40,655
Non-revenue receipts	920					920
Total revenues collected	<u>14,916,617</u>	<u>1,770,256</u>	<u>0</u>	<u>706,700</u>	<u>14,743</u>	<u>17,408,316</u>
Expenditures:						
Instruction	8,596,353	26,511	175,182			8,798,046
Support services	6,249,886	401,155	348,788			6,999,829
Operation of non-instructional services	28,687	1,078,286				1,106,973
Facilities acquisition & construction services		164,847	286,898			451,745
Other outlays:						
Debt service requirements				647,156		647,156
Clearing account	337,091					337,091
Correcting entries	920					920
Other Uses					6,800	6,800
Repayments	11,569	301				11,870
Total expenditures	<u>15,224,506</u>	<u>1,671,100</u>	<u>810,868</u>	<u>647,156</u>	<u>6,800</u>	<u>18,360,430</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(307,889)	99,156	(810,868)	59,544	7,943	(952,114)
Other financing sources (uses)						
Adjustments to prior year encumbrances	10,225	19	10,878			21,122
Bond sale proceeds			1,925,000			1,925,000
Total other financing sources (uses)	<u>10,225</u>	<u>19</u>	<u>1,935,878</u>	<u>0</u>	<u>0</u>	<u>1,946,122</u>
Excess of revenues collected over (under) expenditures	(297,664)	99,175	1,125,010	59,544	7,943	994,008
Cash fund balances, beginning of year	<u>2,386,485</u>	<u>111,144</u>	<u>7,793</u>	<u>(11,221)</u>	<u>317,294</u>	<u>2,811,495</u>
Cash fund balances, end of year	<u>\$ 2,088,821</u>	<u>210,319</u>	<u>1,132,803</u>	<u>48,323</u>	<u>325,237</u>	<u>3,805,503</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1- 20, CADDO 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/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 1,135,170	1,401,713	266,543
Intermediate sources	203,491	251,171	47,680
State sources	9,208,729	9,820,743	612,014
Federal sources	2,860,689	3,440,423	579,734
Interest earnings		1,647	1,647
Non-revenue receipts	10,994	920	(10,074)
Total revenues collected	13,419,073	14,916,617	1,497,544
Expenditures:			
Instruction	9,128,089	8,596,353	531,736
Support services	6,381,704	6,249,886	131,818
Operation of non-instructional services	56,457	28,687	27,770
Other outlays:			
Clearing account	220,000	337,091	(117,091)
Correcting entry	920	920	
Repayments	18,388	11,569	6,819
Total expenditures	15,805,558	15,224,506	581,052
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(2,386,485)	(307,889)	2,078,596
Other financing sources (uses):			
Adjustments to prior year encumbrances	0	10,225	10,225
Excess of revenues collected over (under) expenditures	(2,386,485)	(297,664)	2,088,821
Cash fund balance, beginning of year	2,386,485	2,386,485	0
Cash fund balance, end of year	\$ 0	2,088,821	2,088,821

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

INDEPENDENT SCHOOL DISTRICT NO. I- 20, CADDO 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			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues Collected:				
Local sources	\$ 214,749	317,747	370,343	52,596
State sources	87,508	87,508	99,641	12,133
Federal sources	945,012	1,445,364	1,268,122	(177,242)
Interest earnings			32,150	32,150
Non-revenue receipts	<u>1,570</u>	<u>1,570</u>		<u>(1,570)</u>
Total revenues collected	<u>1,248,839</u>	<u>1,852,189</u>	<u>1,770,256</u>	<u>(81,933)</u>
Expenditures:				
Instruction	9,714	9,714	26,511	(16,797)
Support services	191,700	682,945	401,155	281,790
Operation of non-instructional services	982,194	1,094,299	1,078,286	16,013
Facilities acquisition & construction services	176,211	176,211	164,847	11,364
Other outlays:				
Correcting entry	164	164		164
Repayments			301	(301)
Total expenditures	<u>1,359,983</u>	<u>1,963,333</u>	<u>1,671,100</u>	<u>292,233</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(111,144)	(111,144)	99,156	210,300
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>19</u>	<u>19</u>
Excess of revenues collected over (under) expenditures	(111,144)	(111,144)	99,175	210,319
Cash fund balances, beginning of year	<u>111,144</u>	<u>111,144</u>	<u>111,144</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>210,319</u>	<u>210,319</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-20, CADDO 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	\$ 653,196	699,842	46,646
Interest earnings		6,858	6,858
Total revenues collected	653,196	706,700	53,504
Requirements:			
Bonds	607,000	607,000	
Coupons	40,156	40,156	
Accrual for deficit	6,040		6,040
Total requirements	653,196	647,156	6,040
Excess of revenue collected over (under) expenditures	0	59,544	59,544
Cash fund balance, beginning of year	(11,221)	(11,221)	0
Cash fund balance, end of year	\$ (11,221)	48,323	59,544

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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 Anadarko Public Schools Independent District No. I-20 (the “District”) has 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, CADDO 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, CADDO COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – con't

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 maintained the gifts and endowments fund 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, CADDO 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 such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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

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 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.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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

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.

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

<u>Fund</u>	<u>Total</u>
Building	\$ 491,245
Child Nutrition	112,105

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.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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

Investments – The District is allowed to invest in direct obligations of the United State's 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 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.

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, CADDO 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

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

Local Revenues – Revenue from local sources is the monies 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 - 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 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, CADDO COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTS 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 cocurricular 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, CADDO 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 – 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 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.

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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 \$5,349,132. 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 and of investment pools (sweep accounts) invested in money market funds with an approximate fair market value of \$1,072,224.

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 and 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 Anadarko Bank & Trust 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. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2012.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED 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 have been 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.

General long-term debt of the District consists of building bonds payable and capital leases. Debt service requirements for bonds and judgments are paid 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 Payable	Capital Leases	Totals
Balance, July 1, 2011	\$ 1,925,000	120,000	2,045,000
Additions	1,925,000		1,925,000
Retirements	(655,000)	(40,000)	(695,000)
Balance, June 30, 2012	\$ 3,195,000	80,000	3,275,000

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 2010, original issue \$1,185,000, interest rates of 1.5% to 2.15%, due in initial installments of \$285,000, annual installments of \$ 300,000, final payment due 5-1-15	\$ 900,000
Building Bonds, Series 2008, original issue \$1,430,000, interest rates of 3.10% to 3.15%, due in initial installment of \$370,000, annual installments of \$370,000, final payment due 1-1-13	370,000

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

4. GENERAL LONG-TERM DEBT – cont'd

	<u>Amount Outstanding</u>
Building Bonds, Series 2012, original issue \$1,925,000, interest rates of 0.60% to 1.10%, due in initial installment of \$475,000, annual installments of \$500,000, final payment due 6-1-17	\$ 1,925,000
<u>Capital Leases</u>	
District received funding with 2004 QZAB bonds, in conjunction with a lease agreement with Bancfirst for \$400,000, due in annual principal and interest payments of \$49,040. payments are made to a trust account and when bonds become due, January 2014, the trust account will make the actual bond payment of \$400,000	<u>80,000</u>
Total	<u><u>\$ 3,275,000</u></u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 710,000	55,770	765,770
2014	815,000	38,865	853,865
2015	775,000	20,975	795,975
2016	475,000	10,250	485,250
2017	500,000	5,500	505,500
Total	\$ 3,275,000	131,360	3,406,360

Interest paid on general long-term debt during the 2011-12 fiscal years totaled \$54,233.

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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. For the 2011-12 fiscal year, the District's contributed 9.5% 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, the District is required to match the retirement paid on salaries that are funded with federal funds.

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

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN - cont'd

The District's total contributions for 2012, 2011 and 2010 were \$1,540,484, \$1,566,577 and \$1,577,027, respectively.

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.

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 School participates in a risk pool for Workers' 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 School 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.

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

7. CONTINGENCIES

Federal Grants

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

Litigation

Management is not aware of any threatened litigation, assessments, or unasserted claims against the District.

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

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	<u>\$ 117,432</u>	<u>153,459</u>	<u>270,891</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants payable	\$ 13,777	46,795	60,572
Fund Equity:			
Cash fund balances	<u>103,655</u>	<u>106,664</u>	<u>210,319</u>
Total Liabilities and Fund Equity	<u>\$ 117,432</u>	<u>153,459</u>	<u>270,891</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, CADDO 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	\$ 285,570	84,773	370,343
State sources		99,641	99,641
Federal sources	388,247	879,875	1,268,122
Interest earnings	32,150		32,150
Total revenues collected	<u>705,967</u>	<u>1,064,289</u>	<u>1,770,256</u>
Expenditures:			
Instruction	26,511		26,511
Support services	401,155		401,155
Operation of non-instructional services		1,078,286	1,078,286
Facilities acquisition construction services	164,847		164,847
Repayments		301	301
Total expenditures	<u>592,513</u>	<u>1,078,587</u>	<u>1,671,100</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	113,454	(14,298)	99,156
Adjustments to prior year encumbrances	<u>15</u>	<u>4</u>	<u>19</u>
Excess of revenues collected over (under) expenditures	113,469	(14,294)	99,175
Cash fund balances, beginning of year	<u>(9,814)</u>	<u>120,958</u>	<u>111,144</u>
Cash fund balances, end of year	<u>\$ 103,655</u>	<u>106,664</u>	<u>210,319</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, CADDO 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	\$ 162,121	265,119	285,570	\$ 52,628	52,628	84,773
State sources				87,508	87,508	99,641
Federal sources	225,000	613,247	388,247	720,012	832,117	879,875
Interest earnings			32,150			
Non-revenue receipts	1,570	1,570				
Total revenues collected	<u>388,691</u>	<u>879,936</u>	<u>705,967</u>	<u>860,148</u>	<u>972,253</u>	<u>1,064,289</u>
Expenditures:						
Instruction	9,714	9,714	26,511			
Support services	191,700	682,945	401,155			
Operation of non-instructional services	1,088	1,088		981,106	1,093,211	1,078,286
Facilities acquisition & construction services	176,211	176,211	164,847			
Other outlays:						
Correcting entry	164	164				
Repayments						301
Total expenditures	<u>378,877</u>	<u>870,122</u>	<u>592,513</u>	<u>981,106</u>	<u>1,093,211</u>	<u>1,078,587</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	9,814	9,814	113,454	(120,958)	(120,958)	(14,298)
Adjustment to prior year encumbrances	<u>0</u>	<u>0</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>4</u>
Excess of revenues collected over (under) expenditures	9,814	9,814	113,469	(120,958)	(120,958)	(14,294)
Cash fund balances, beginning of year	<u>(9,814)</u>	<u>(9,814)</u>	<u>(9,814)</u>	<u>120,958</u>	<u>120,958</u>	<u>120,958</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>103,655</u>	<u>\$ 0</u>	<u>0</u>	<u>106,664</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, CADDO COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	2012 TRANS BOND FUND	2012 BUILDING BOND FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 275,000	1,650,000	1,925,000
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Payable	\$	82,794	82,794
Encumbrances	253,434	455,969	709,403
Total Liabilities:	0	538,763	792,197
Fund Equity:			
Cash fund balances	21,566	1,111,237	1,132,803
Total Liabilities and Fund Equity	\$ 275,000	1,650,000	1,925,000

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

	2010 TRANS BOND FUND	2010 BUILDING BOND FUND	2008 BUILDING BOND FUND	2012 BUILDING BOND FUND	2012 TRANS BOND FUND	TOTAL
Revenues Collected:						
Total revenues collected	\$ 0	0	0	0	0	0
Expenditures:						
Instruction		2,036		173,146		175,182
Support services	7,025	1,384	328	86,617	253,434	348,788
Facilities acquisition & construction services		7,898		279,000		286,898
Total expenditures	<u>7,025</u>	<u>11,318</u>	<u>328</u>	<u>538,763</u>	<u>253,434</u>	<u>810,868</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(7,025)	(11,318)	(328)	(538,763)	(253,434)	(810,868)
Other financing sources and uses:						
Adjustments to prior year encumbrances		10,878				10,878
Bond sale proceeds				1,650,000	275,000	1,925,000
Total other financing sources (uses)	<u>0</u>	<u>10,878</u>	<u>0</u>	<u>1,650,000</u>	<u>275,000</u>	<u>1,935,878</u>
Excess of revenues collected over (under) expenditures	(7,025)	(440)	(328)	1,111,237	21,566	1,125,010
Cash fund balances, beginning of year	<u>7,025</u>	<u>440</u>	<u>328</u>	<u>0</u>	<u>0</u>	<u>7,793</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>1,111,237</u>	<u>21,566</u>	<u>1,132,803</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-20, CADDO COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS
 JUNE 30, 2012

	EXPENDABLE TRUST FUNDS	AGENCY FUNDS	
	GIFTS AND ENDOWMENTS	ACTIVITY	
ASSETS	FUND	FUND	TOTAL
Cash	\$ 88,813	74,787	163,600
Investments	237,224	35,000	272,224
Total Assets	\$ 326,037	109,787	435,824
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Encumbrances	\$ 800		800
Funds held for school organizations		109,787	109,787
Total Liabilities	800	109,787	110,587
Fund Equity:			
Cash fund balance	325,237	0	325,237
Total Liabilities and Fund Equity	\$ 326,037	109,787	435,824

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

	BALANCE 7-01-11	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-12
ASSETS					
Cash	\$ 83,157	528,820		537,190	74,787
Investments	35,000				35,000
Total Assets	<u>\$ 118,157</u>	<u>528,820</u>	<u>0</u>	<u>537,190</u>	<u>109,787</u>
LIABILITIES					
Funds held for school organizations:					
Athletics	\$ 5,607	208,247		209,473	4,381
Band	3,106	7,176		8,365	1,917
African American club	686	2,313		1,848	1,151
Cheerleading	1,397	24,946		25,005	1,338
Chorus/music	1,005	3,496		3,691	810
Drama	3,118	2,656		1,324	4,450
FCA	5	0		0	5
FFA	1,518	20,099		21,306	311
FOCLA	1,619	4,395		3,477	2,537
4-H	152	681		636	197
Native American club	1,047	35		458	624
Juniors	1,852	3,355		4,009	1,198
Library	1,736	150		0	1,886
High school miscellaneous	3,822	20,515		20,718	3,619
AHS Anime Club	147	117		0	264
NHS	126	2,757		2,027	856
Racquet club	1,195	15,497		15,565	1,127
Academic bowl	3	0		0	3
S.A.D.D.	25	438		137	326
Seniors	2,876	4,398		4,285	2,989
Sophomores	483	978		667	794
Spanish club	1,017	1,897		2,057	857
Student council	464	8,345		8,614	195
AHS scholarship fund	0	1,500		1,000	500
HS technology student assoc.	824	887		1,157	554
Yearbook	15,903	19,702		22,135	13,470
Sunset elementary	11,139	20,952		18,923	13,168
East miscellaneous	5,667	23,453		24,081	5,039
East music	3,851	1,350		1,545	3,656
Special education misc.	3,469	7,919		6,246	5,142
Mission miscellaneous	8,080	24,862		25,635	7,307
Mission music	1,092	1,235		1,729	598
Mission 4-H	206	625		612	219
Mission library	403	5,658		5,199	862
Cheerleaders 510	1,540	8,161		9,131	570
Chorus/music 510	102	0		0	102

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	BALANCE 7-01-11	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-12
FBLA 510	\$ 0	0		0	0
4-H 510	411	5,327		5,246	492
Family and consumer science	3,375	7,813		11,074	114
Native American club/middle	1,179	760		1,233	706
Library 510	967	1,939		1,357	1,549
Middle school miscellaneous	5,061	30,214		33,360	1,915
NJHS	20	0		0	20
Office 510	4	0		0	4
Middle school band 510	1,629	0		1,490	139
Middle school art club 510	1,112	1,150		1,336	926
Am Indian math & science club	11	0		0	11
Mission A.R. program	4,020	3,048		3,037	4,031
Middle A.R.	50	0		0	50
D.A.R.E. 050	242	0		0	242
Now account 050	2,382	7,027		5,657	3,752
HS art 705	265	6,471		5,511	1,225
Freshman	593	0		593	0
Video productions 705	925	669		1,234	360
East elementary library	5,107	7,186		8,354	3,939
Middle school science club	1,892	0		919	973
Sunset library 115	2,682	4,228		3,687	3,223
1 to1 technology org.	805	3,620		1,675	2,750
Indian education activity fund	143	573		372	344
Total Liabilities	<u>\$ 118,157</u>	<u>528,820</u>	<u>0</u>	<u>537,190</u>	<u>109,787</u>

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

Federal Grantor / Pass Through	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:							
Title IX Indian Education	84.060	SF60A110954	\$ 265,837		262,415	265,837	3,422
Title IX Indian Education 2010-11 - Note	84.060	SF60A10954		5,064	5,064		
*Impact Aid P.I. 874	84.041	SF41R-2012-3809	1,463,593		1,463,593	1,463,593	
*Impact Aid P.I. 874 carryover	84.041	SF41R-2012-3809	388,247		388,247	388,247	
*Impact Aid P.I. 874 carryover	84.041	SF41R-2010-3809	112,105		112,105	112,105	
Sub Total			<u>2,229,782</u>	<u>5,064</u>	<u>2,231,424</u>	<u>2,229,782</u>	<u>3,422</u>
Passed Through State Department of Education:							
*Title I	84.010		708,596		647,904	660,024	12,120
Title I 2010-11 - Note	84.010			68,649	68,649		
*Title I ARRA	84.389		13,556		13,556	13,556	
Title I ARRA 2010-11 - Note	84.389			1,565	1,565		
*Title I	84.010		54,235		36,370	49,329	12,959
Title VI Part B	84.358		46,682		43,200	43,200	
Title VI Part B 2010-11 - Note	84.358			5,303	5,303		
21st Century 2010-11 - Note	84.287			19,593	19,593		
Special Education Programs:							
IDEA-R flowthrough	84.027		401,628		390,728	392,855	2,127
IDEA-R flowthrough 2010-11 - Note	84.027			15,621	15,621		
IDEA-R ARRA	84.391		32,620		32,620	32,620	
IDEA-R ARRA 2010-11 - Note	84.391			6,494	6,494		
IDEA-R preschool	84.173		8,286		7,865	7,865	
IDEA-R preschool ARRA	84.392		14		14	14	
Title II Part A	84.367		146,818		122,917	124,917	2,000
Title II Part A 2010-11 - Note	84.367			2,937	2,937		
Title II Part D	84.318		431		427	427	
Title II Part D 2010-11 - Note	84.318			703	703		
Title II ARRA Ed. Tech 2009-10 - Note	84.386			6,360	6,360		
Adult Education	84.002		40,549		39,878	39,878	
Adult Education 2010-11 - Note	84.002			1,588	1,588		
Education Jobs ARRA	84.410		45,245		45,245	45,245	
Sub Total			<u>1,498,660</u>	<u>128,813</u>	<u>1,509,527</u>	<u>1,409,920</u>	<u>29,206</u>
Passed Through State Department of Career and Technology Education:							
Carl Perkins grant	84.048		37,639	0	37,639	37,639	0
U.S. Department of Agriculture:							
Passed Through State Department of Education							
Child Nutrition Programs:							
School breakfast program	10.553				208,814	208,814	
National school lunch program	10.555				558,957	558,957	
Summer food services program	10.559				6,649	15,789	9,140
Summer food services program 2010-11 Note	10.559			11,634	11,634		
Sub Total				<u>11,634</u>	<u>786,054</u>	<u>783,560</u>	<u>9,140</u>
Passed Through Department of Human Service							
Non-cash assistance:							
Commodities - Note 1	10.555				40,007	40,007	
Other Federal Assistance:							
Johnson O'Malley	15.130		69,720		69,720	44,729	
Johnson O'Malley 6 - month	15.130		39,781		39,781	39,781	
Rehabilitation services	84.126		1,667		1,667	1,667	
Medicaid	93.778		32,734		32,734	32,734	
Sub Total			<u>143,902</u>	<u>0</u>	<u>143,902</u>	<u>118,911</u>	<u>0</u>
Total Federal Assistance			<u>\$ 3,909,983</u>	<u>145,511</u>	<u>4,748,553</u>	<u>4,619,819</u>	<u>41,768</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 \$40,007 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, CADDO COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>BONDING COMPANY</u>	<u>PERSON COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
State Farm	Treasurer/Activity Fund	96-EC-3392-3	\$ 105,000	02/16/2012 - 02/16/2013
	Payroll Clerk	96-EC-3392-3	5,000	02/16/2012 - 02/16/2013
	Encumbrance Clerk	96-EC-3392-3	5,000	02/16/2012 - 02/16/2013
	Child Nutrition Director	96-EC-3392-3	5,000	02/16/2012 - 02/16/2013
	Assistant Superintendent	96-EC-3392-3	100,000	02/16/2012 - 02/16/2013
	Superintendent	96-EC-3392-3	100,000	02/16/2012 - 02/16/2013

INDEPENDENT SCHOOL DISTRICT NO. I-20, CADDO 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 Anadarko 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 2nd day of November, 2012

Notary Public (or Clerk or Judge)

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

November 2, 2012

Mrs. Cindy Hackney, Superintendent
Anadarko Public Schools
1400 S. Mission Street
Anadarko, Oklahoma 73102

Dear Mrs. Hackney:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. These items are referred to in your audit report. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

No Audit Exceptions

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Jeffrey D. Hewett

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP