

ANNUAL FINANCIAL REPORT
INDEPENDENT SCHOOL DISTRICT NO. 88
BETHANY PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY, OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

BETHANY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 88
OKLAHOMA, COUNTY
JUNE 30, 2012

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BETHANY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 88
OKLAHOMA, COUNTY
JULY 1, 2011 TO JUNE 30, 2012

SCHOOL DISTRICT BOARD MEMBERS

Les Pettitt
Randy Gordon
Heather Miller
Melodi McWilliams
Nico Gomez

SUPERINTENDENT OF SCHOOL DISTRICT

Dr. Kent Shellenberger

CLERK OF THE BOARD

Les Pettitt

SCHOOL DISTRICT TREASURER

DeLana Massey

PUTNAM & COMPANY, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Independent School District No. 88
Oklahoma County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Bethany School District No. 88, Oklahoma 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 Bethany School District, No. 88, Oklahoma County, Oklahoma. 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 of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered 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, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethany School District No. 88, Oklahoma County, Oklahoma as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

However, in our opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Bethany School District No. 88, Oklahoma County, Oklahoma as of June 30, 2012 and the revenues collected and expenditures paid and encumbered of each fund type 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 February 14, 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 and are not a required part of the District's combined financial statements. Also, the accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the combined financial statements. This other supplementary information and the schedule of expenditures of Federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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.

This report is intended solely for the information and use of the Board of Education of Bethany School District No. 88, the Oklahoma State Department of Education, and certain federal regulatory agencies; and is not intended to be, and should not be used, by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Putnam & Company".

Putnam & Company, PLLC

Edmond, Oklahoma
February 14, 2013

COMBINED FINANCIAL STATEMENTS

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
(ALL FUND TYPES AND ACCOUNT GROUPS)
JUNE 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Account Groups	Totals
	General	Special Revenue	Capital Projects	Debt Service	Trust and Agency	General Long-Term Debt	(Memorandum Only)
<u>ASSETS</u>							
Cash and Cash Equivalents	\$4,953,655	206,396	142,469	478,827	244,063		6,025,410
Amount Available for Debt Service						24,041	24,041
Amount to be Provided for General Long-Term Debt						453,598	453,598
Total Assets	<u>\$4,953,655</u>	<u>206,396</u>	<u>142,469</u>	<u>478,827</u>	<u>244,063</u>	<u>477,639</u>	<u>6,503,049</u>
<u>LIABILITIES</u>							
Warrants Payable	\$1,395,135				14,395		1,409,530
Long-Term Debt							
Bonds Payable				440,000		470,000	910,000
Interest Payable				14,786		7,639	22,425
Total Liabilities	<u>1,395,135</u>	<u>0</u>	<u>0</u>	<u>454,786</u>	<u>14,395</u>	<u>477,639</u>	<u>2,341,955</u>
<u>FUND EQUITY</u>							
Designated for Debt Service				24,041			24,041
Designated for Student Activities					229,668		229,668
Designated for Capital Projects			142,469				142,469
Reserved for Encumbrances	1,021,622	4,000					1,025,622
Fund Balance	<u>2,536,898</u>	<u>202,396</u>					<u>2,739,294</u>
Total Fund Equity	<u>3,558,520</u>	<u>206,396</u>	<u>142,469</u>	<u>24,041</u>	<u>229,668</u>	<u>0</u>	<u>4,161,094</u>
Total Liabilities and Fund Equity	<u>\$4,953,655</u>	<u>206,396</u>	<u>142,469</u>	<u>478,827</u>	<u>244,063</u>	<u>477,639</u>	<u>6,503,049</u>

See accompanying letters and notes to financial statements.

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Totals
	General	Special Revenue	Capital Projects	Debt Service	Trust and Agency	(Memorandum Only)
REVENUES:						
Local Sources	\$673,144	75,372	1,661	473,429	846,178	2,069,784
Intermediate Sources	415,017					415,017
State Sources	8,603,977					8,603,977
Federal Sources	1,031,180					1,031,180
Total Revenues	10,723,318	75,372	1,661	473,429	846,178	12,119,958
EXPENDITURES:						
Instruction	6,822,491					6,822,491
Support Services	3,603,774	315				3,604,089
Non-Instructional Services	333,546				876,984	1,210,530
Facilities Acquisition & Construction Services	187,500	4,000	98,294			289,794
Other Outlays	53,822					53,822
Other Uses	500					500
Repayments	13,426					13,426
Bank Charges	17,752			15		17,767
DEBT SERVICE						
Bonds Paid				440,000		440,000
Coupons Paid				19,501		19,501
Total Expenditures	11,032,811	4,315	98,294	459,516	876,984	12,471,920
Revenues Over (Under) Expenditures	(309,493)	71,057	(96,633)	13,913	(30,806)	(351,962)
OTHER FINANCING SOURCES (USES):						
Return of Assets	142,189					142,189
Transfer Among Funds	2,415	(2,415)				0
Estopped Warrants	73,456					73,456
Deobligation of Prior Year Funds	169,343	9,964	(14,056)			165,251
Total Other Financing Sources (Uses)	387,403	7,549	(14,056)	0	0	380,896
Revenue and Other Sources Over (Under) Expenditures and Other Uses	77,910	78,606	(110,689)	13,913	(30,806)	28,934
Fund Balance, Beginning of Year	2,458,988	123,790	253,158	10,128	260,474	3,106,538
Fund Balance, End of Year	\$2,536,898	202,396	142,469	24,041	229,668	3,135,472

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

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - REGULATORY BASIS
BUDGET AND ACTUAL - GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			Special Revenue Funds		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$643,998	673,144	29,146	64,428	75,372	10,944
Intermediate Sources	312,000	415,017	103,017			0
State Sources	8,038,812	8,603,977	565,165			0
Federal Sources	665,189	1,031,180	365,991			0
Total Revenues	9,659,999	10,723,318	1,063,319	64,428	75,372	10,944
EXPENDITURES :						
Instruction	7,048,081	6,822,491	225,590			0
Support Services	4,447,187	3,603,774	843,413	184,218	315	183,903
Non-Instructional Services	534,284	333,546	200,738			0
Facilities Acquisition & Construction Services	45,000	187,500	(142,500)	4,000	4,000	0
Other Outlays	39,935	53,822	(13,887)			0
Other Uses		500	(500)			0
Repayments	4,500	13,426	(8,926)			0
Bank Charges		17,752	(17,752)			0
Total Expenditures	12,118,987	11,032,811	1,086,176	188,218	4,315	183,903
Revenues Over (Under) Expenditures	(2,458,988)	(309,493)	2,149,495	(123,790)	71,057	194,847
OTHER FINANCING SOURCES (USES):						
Return of Assets		142,189	142,189			0
Transfer Among Funds		2,415	2,415		(2,415)	(2,415)
Estopped Warrants		73,456	73,456			0
Deobligation of Prior Year Funds		169,343	169,343		9,964	9,964
Total Other Financing Sources (Uses)	0	387,403	387,403	0	7,549	7,549
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(2,458,988)	77,910	2,536,898	(123,790)	78,606	202,396
Fund Balance, Beginning of Year	2,458,988	2,458,988	0	123,790	123,790	0
Fund Balance, End of Year	\$0	2,536,898	2,536,898	0	202,396	202,396

See accompanying letters and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Bethany Public Schools Independent District No. 88, Oklahoma County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. 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.

B. Fund Accounting and Description of Funds

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.

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Fund Accounting and Description of Funds – (continued)

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 Salary Incentive Aid program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund – The special revenue fund is the District’s Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

The Child Nutrition Fund derives monies from State, Federal and local sources.

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

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. When these assets are held under the terms of a trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Account Groups

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

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

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

Memorandum Only – Total Column - The total column on the general purpose financial statements is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

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

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

C. Basis of Accounting and Presentation – (continued)

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

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 second 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.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – Investments consist of direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues – The district is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the district. The county assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

E. Assets, Liabilities, and Fund Equity – (continued)

Inventories – The value of consumable inventories at June 30, 2012 is not material to the basic financial statements.

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

All fixed assets are valued at historical cost, or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation and accumulated depreciation are not reported against general fixed assets.

Compensated Absences – The district provides vacation and sick leave benefits in accordance with Oklahoma Statutes, which provides for annual sick leave and personal business days. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

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

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses, and Expenditures

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

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

F. Revenue, Expenses, and Expenditures – (continued)

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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.

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 expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSIT AND INVESTMENT RISKS

Custodial Credit Risk - The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2012, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate financial institutions, and fully insured certificates of deposit or savings accounts in outofstate financial institutions.

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District's investment policy requires diversification of investments.

At June 30, 2012, the District had no concentration of credit risk as defined above.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund 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 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 from the date of issue.

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

4. GENERAL LONG-TERM DEBT - (continued)

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

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

	<u>Bonds Payable</u>		<u>Total</u>
Balance, July 1, 2011	\$ 1,330,000		\$ 1,330,000
Additions			
Retirements	420,000		420,000
Balance, June 30, 2012	<u>\$ 910,000</u>		<u>\$ 910,000</u>

A brief description of the outstanding general obligation bond issues at June 30, 2012 is set forth below:

	<u>Amount Outstanding</u>
Independent School District No. 88 Building Bonds, Series 2011, original Issue \$410,000, interest rate of 1.15%, due in one payment of \$410,000 due May 1, 2013.	\$ 410,000
Independent School District No. 88 General Obligation Bonds, Series 2010, original Issue \$500,000, interest rate of 1.40%, due in an annual installment of \$235,000, final payment of \$265,000 due July 1, 2013.	<u>500,000</u>
TOTAL	<u>\$ 910,000</u>

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

<u>Year ending June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 645,000	\$ 20,570	\$ 665,570
2014	<u>265,000</u>	<u>1,855</u>	<u>266,855</u>
	\$ 910,000	\$ 22,425	\$ 932,425

Interest expense on general long-term debt incurred during the current year totaled \$19,501.

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

5. EMPLOYEE RETIREMENT SYSTEM

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34.

The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

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. Actuarial valuations are not performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation indicates a significant unfunded pension benefit obligation.

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his/her accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. Employers' contribution of applicable employee earnings was 9.5% through June 30, 2012.

Annual Pension Cost

	<u>Total Payroll</u>	<u>District's Contribution</u>
2011-12	\$ 5,265,905.42	\$500,261.53
2010-11	\$ 4,983,424.23	\$479,656.23

BETHANY SCHOOL DISTRICT NO. 88
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. CONTINGENCIES

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

7. RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 14, 2013, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
JUNE 30, 2012

	<u>BUILDING FUND</u>	<u>COOP FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$206,396</u>	<u>0</u>	<u>206,396</u>
Total Assets	<u>\$206,396</u>	<u>0</u>	<u>206,396</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Outstanding	<u>\$0</u>	<u></u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity:			
Reserved for Encumbrances	4,000		4,000
Fund Balance	<u>202,396</u>	<u>0</u>	<u>202,396</u>
Total Fund Equity	<u>206,396</u>	<u>0</u>	<u>206,396</u>
Total Liabilities and Fund Equity	<u>\$206,396</u>	<u>0</u>	<u>206,396</u>

See accompanying letters and notes to financial statements.

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>BUILDING FUND</u>	<u>COOP FUND</u>	<u>TOTALS (Memorandum Only)</u>
Revenues:			
Local Sources	<u>\$75,354</u>	<u>18</u>	<u>75,372</u>
 Total Revenues	 <u>75,354</u>	 <u>18</u>	 <u>75,372</u>
 Expenditures:			
Support Services	315		315
Facilities Acquisition & Construction Services	<u>4,000</u>		<u>4,000</u>
 Total Expenditures	 <u>4,315</u>	 <u>0</u>	 <u>4,315</u>
 Revenue Over (Under) Expenditures	 <u>71,039</u>	 <u>18</u>	 <u>71,057</u>
 Other Financing Sources (Uses):			
Transfer Among Funds		(2,415)	(2,415)
Deobligation of Prior Years Funds	<u>11,221</u>	<u>(1,257)</u>	<u>9,964</u>
 Total Other Financing Sources (Uses)	 <u>11,221</u>	 <u>(3,672)</u>	 <u>7,549</u>
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 82,260	 (3,654)	 78,606
 Fund Balance, Beginning of Year	 <u>120,136</u>	 <u>3,654</u>	 <u>123,790</u>
 Fund Balance, End of Year	 <u>\$202,396</u>	 <u>0</u>	 <u>202,396</u>

See accompanying letters and notes to financial statements.

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund			Coop Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$64,428	75,354	10,926		18	18
Total Revenues	64,428	75,354	10,926	0	18	18
EXPENDITURES :						
Support Services	180,564	315	180,249	3,654		3,654
Facilities Acquisition & Construction Services	4,000	4,000	0			0
Total Expenditures	184,564	4,315	180,249	3,654	0	3,654
Revenues Over (Under) Expenditures	(120,136)	71,039	191,175	(3,654)	18	3,672
OTHER FINANCING SOURCES (USES):						
Transfer Among Funds			0		(2,415)	(2,415)
Deobligation of Prior Year Funds		11,221	11,221		(1,257)	(1,257)
Total Other Financing Sources (Uses)	0	11,221	11,221	0	(3,672)	(3,672)
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(120,136)	82,260	202,396	(3,654)	(3,654)	0
Fund Balance, Beginning of Year	120,136	120,136	0	3,654	3,654	0
Fund Balance, End of Year	\$0	202,396	202,396	0	0	0

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

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	BOND FUND #33	TOTALS (Memorandum Only)
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$142,469	142,469
	<hr/>	<hr/>
Total Assets	\$142,469	142,469
	<hr/>	<hr/>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Warrants Outstanding	\$0	0
	<hr/>	<hr/>
Total Liabilities	0	0
	<hr/>	<hr/>
Fund Equity:		
Reserved for Encumbrances		0
Fund Balance	142,469	142,469
	<hr/>	<hr/>
Total Fund Equity	142,469	142,469
	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$142,469	142,469
	<hr/>	<hr/>

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

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	BOND FUND #34	TOTALS (Memorandum Only)
Revenues:		
Local Sources	\$1,661	1,661
Total Revenues Collected	1,661	1,661
Expenditures:		
Support Services		0
Facilities Acquisition & Construction Services	98,294	98,294
Total Expenditures	98,294	98,294
Excess of Revenues Over Expenditures	(96,633)	(96,633)
Other Financing Sources (Uses):		
Proceeds from Sale of Bonds		0
Deobligation of Prior Year Funds	(14,056)	(14,056)
Total Other Financing Sources (Uses):	(14,056)	(14,056)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(110,689)	(110,689)
Fund Balance, Beginning of Year	253,158	253,158
Fund Balance, End of Year	\$142,469	142,469

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

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ACTIVITY FUND
JULY 1, 2011 TO JUNE 30, 2012

	Balance 7/01/11	Deposits	Transfers	Disbursed	Balance 6/30/12
Football	\$35,042.25	103,467.58	0.00	120,920.90	17,588.93
Boys Basketball	16,701.45	35,711.85	0.00	39,320.46	13,092.84
Girls Basketball	12,944.75	26,355.07	0.00	23,193.19	16,106.63
Volleyball	3,534.80	14,056.86	0.00	12,297.01	5,294.65
Boys Baseball	10,414.56	25,710.00	0.00	29,570.25	6,554.31
Girls Softball	6,540.75	13,746.98	0.00	15,671.48	4,616.25
Track	7,448.03	13,300.84	0.00	17,884.01	2,864.86
Golf	72.36	5,027.51	0.00	4,582.97	516.90
Cross Country	635.68	1,981.00	0.00	1,579.00	1,037.68
Boys Soccer	5,354.43	9,479.39	0.00	8,879.70	5,954.12
Girls Soccer	824.34	14,733.94	0.00	14,814.06	744.22
Athletic Director	15,433.71	6,080.00	0.00	7,746.38	13,767.33
BASA - Athletic Director	0.00	0.00	0.00	0.00	0.00
BASA - Football	0.00	0.00	0.00	0.00	0.00
BASA - Boys Basketball	0.00	0.00	0.00	0.00	0.00
BASA - Girls Basketball	0.00	0.00	0.00	0.00	0.00
BASA - Volleyball	0.00	0.00	0.00	0.00	0.00
BASA - Boys Baseball	0.00	0.00	0.00	0.00	0.00
BASA - Girls Softball	0.00	0.00	0.00	0.00	0.00
BASA - Track	0.00	0.00	0.00	0.00	0.00
BASA - Golf	0.00	0.00	0.00	0.00	0.00
BASA - Cross Country	0.00	0.00	0.00	0.00	0.00
BASA - Boys Soccer	0.00	0.00	0.00	0.00	0.00
BASA - Girls Soccer	0.00	0.00	0.00	0.00	0.00
Publications	315.64	17,105.54	0.00	12,298.62	5,122.56
Art - High School	1,848.86	570.00	0.00	2,082.87	335.99
Band	3,498.49	30,016.00	0.00	22,659.54	10,854.95
Band Boosters	0.00	0.00	0.00	0.00	0.00
HS Cheerleaders	1,447.39	17,818.17	0.00	18,356.71	908.85
Chorus	1,488.12	35,843.65	0.00	32,761.57	4,570.20
Tech Now	0.00	0.00	0.00	0.00	0.00
Class of 08 - Seniors	2,017.94	30,800.55	0.00	29,557.50	3,260.99
Class of 09 - Juniors	343.52	10,099.51	0.00	10,039.53	403.50
Class of 10 - Sophomores	49.50	685.77	0.00	494.00	241.27
Class of 11 - Freshman	440.00	1,791.73	0.00	1,228.73	1,003.00
Special Services - Professional Dev.	270.56	3,408.00	0.00	2,411.33	1,267.23
Elementary Fund	37,431.05	59,158.31	0.00	67,959.40	28,629.96
Environmental Club	284.64	223.00	0.00	408.00	99.64
Cancer Fund	8,155.36	28,728.14	0.00	24,833.60	12,049.90
FCA	339.39	200.00	0.00	264.92	274.47
FHA	322.77	22.00	0.00	96.12	248.65

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ACTIVITY FUND
JULY 1, 2011 TO JUNE 30, 2012

	Balance 7/01/11	Deposits	Transfers	Disbursed	Balance 6/30/12
Indian Education	627.65	730.50	0.00	1,093.09	265.06
Flowers	699.50	995.00	0.00	1,297.87	396.63
General Fund Refund	0.00	13,090.46	0.00	13,090.46	0.00
Gifted Elementary	103.23	0.00	0.00	0.00	103.23
Gifted Middle School	899.46	48,320.00	0.00	48,376.27	843.19
High School Fund	2,359.89	15,900.50	0.00	16,234.00	2,026.39
All School Musical	6,677.53	9,715.25	0.00	13,304.91	3,087.87
Key Club	3,999.73	2,394.75	0.00	2,127.00	4,267.48
High School Media	454.57	36.80	0.00	0.00	491.37
Scholarship	3,300.70	1,955.00	0.00	830.74	4,424.96
Media Elementary	2,203.36	13,143.56	0.00	10,404.60	4,942.32
Media Middle School	1,504.88	1,077.10	0.00	86.29	2,495.69
Middle School Fund	2,347.78	5,117.81	0.00	5,299.51	2,166.08
Middle School Art	35.86	0.00	0.00	0.00	35.86
6th GD Choir-Middle School	435.36	4,721.72	0.00	4,261.12	895.96
Natl JR Honor Society	861.54	260.00	0.00	72.00	1,049.54
Middle School Cheerleader	952.84	2,035.00	0.00	2,586.50	401.34
Middle School Earth Science	0.00	0.00	0.00	0.00	0.00
Middle School Yearbook	15,273.01	13,842.04	0.00	14,510.69	14,604.36
Miscellaneous	5,070.66	6,553.23	0.00	10,331.90	1,291.99
NHS	596.12	674.16	0.00	749.49	520.79
Petty Cash	0.00	200.00	0.00	200.00	0.00
Pom Squad	1,873.94	6,161.46	0.00	7,663.95	371.45
PTO Elementary	26,467.99	64,870.30	0.00	72,021.66	19,316.63
PTO Middle School	1,950.24	6,096.47	0.00	5,688.72	2,357.99
PTSO	508.64	235.00	0.00	365.99	377.65
Builders Club	58.37	0.00	0.00	49.04	9.33
Odyssey of the Mind 3	3,311.00	0.00	0.00	600.87	2,710.13
Robotics Club	70.00	898.00	0.00	833.25	134.75
Spanish	209.11	773.00	0.00	789.05	193.06
Speech	302.60	2,849.00	0.00	2,708.21	443.39
Future Prof. of America (FPA)	0.00	0.00	0.00	0.00	0.00
Stuco High School	851.24	1,997.40	0.00	2,320.34	528.30
Public Relations	181.57	0.00	0.00	0.00	181.57
Special Olympics	1,254.94	441.00	0.00	1,253.00	442.94
Child Nutrition	380.35	107,528.79	0.00	107,528.79	380.35
Elementary Music	565.81	2,880.75	0.00	3,263.85	182.71
Elementary Art	79.80	0.00	0.00	26.16	53.64
Orchestra	804.24	4,562.43	0.00	5,102.48	264.19
TOTAL	\$260,473.85	846,177.87	0.00	876,983.65	229,668.07

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

BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Project Number	Federal CFDA Number	Program or Award Amount	Cash/ Beginning Balance at July 1, 2011	Federal Receipts	Federal Expenditures		Cash/ Ending Balance at June 30, 2012
						Direct Costs	Indirect Costs	
<u>U.S. Department of Education</u>								
<u>Direct</u>								
Title VII Part A, Indian Education	561	84 060	\$28,858 00		22,373 80	28,636 48	221.52	(6,484 20)
Title VII Part A, Indian Education - Pnor Year	799	84 060		(12,891.65)	12,891 65			0 00
Medicaid	698	93 778	61,347 66		61,347 66	61,347 66		0 00
			90,205 66	(12,891.65)	96,613 11	89,984 14	221.52	(6,484 20)
<u>Passed through State</u>								
<u>Department of Education</u>								
Rehabilitation Services	456	84 126			1,979 30			1,979 30
Title I	511	84 010	225,962 54		0 00	190,274 07	5,180 81	(195,454 88)
Title I - Pnor Year	799	84 010		(64,284 86)	64,284 86			0 00
Title I Carryover	512	84 010	13,726 66		13,379 82	13,294 33	85 49	(0 00)
Title I - ARRA	516	84 389	10,647 80		10,647 80	10,313 76	334 04	0 00
Title I - ARRA - Pnor Year	516	84 389		(10,230 14)	10,230 14			0 00
Title I Part A Neglected	518	84 010	31,121 56		0 00	31,121 56		(31,121 56)
Title I Neglect - ARRA	534	84 389	1,470 73		1,140 83	1,140 83		0 00
Title I Neglect - ARRA - Pnor Year	799	84 389		(1,470.73)	1,470 73			0 00
Title II Part A	541	84 367	46,690 64		0 00	45,634 16		(45,634 16)
Title II Part A - Pnor Year	799	84 367		(25,280 00)	25,280 00			0 00
Title II Part D	546	84 318	559 90		0 00	547 37	12 53	(559 90)
Title II Part D	548	84 318	539 46		0 00	516 77	16 74	(533 51)
Drug Free Schools - Pnor Year	799	84 186		(141.02)	141 02			0 00
IDEA Flow Through	621	84 027	277,512 96		0 00	249,609 45	8,087.35	(257,696 80)
IDEA Flow Through - Pnor Year	799	84 027		(78,236 76)	78,236 76			0 00
IDEA Flow Through - ARRA	622	84 391	12,990 46		12,990 46	12,581 28	409 18	0 00
IDEA Flow Through - ARRA - Pnor Year	799	84 391		(80,358 55)	80,358 55			0 00
Early Intervening Services	623	84 027	56,063 04		0 00	37,766 30		(37,766 30)
Early Intervening Services - Pnor Year	799	84 027		(13,150 17)	13,150 17			0 00
Early Intervening Services - ARRA	624	84 391	8,815 13		8,814 34	8,814 34		0 00
Early Intervening Services - ARRA - Pnor Year	799	84 391		(7,493 66)	7,493 66			0 00
IDEA Pre-School	641	84 173	14,442 43		0 00	12,237 96	396 51	(12,634 47)
IDEA Pre-School - Pnor Year	799	84 173		(4,479 33)	4,479 33			0 00
IDEA Pre-School - ARRA	643	84 392	6,510 81		6,510 81	6,510 81		0 00
PBIS Grant - Pnor Year	799	84 323		(1,895 90)	1,895 90			0 00
Education Jobs	790	84 410			8,205 06	8,205 06		0 00
Education Jobs - Pnor Year	799	84 410		(54,690 20)	54,690 20			0 00
Tech Now - Pnor Year	799	84 027		(328,683 39)	328,683 39			0 00
Sub-Total			707,054 12	(670,394 71)	734,063 13	628,568 05	14,522 65	(579,422 28)
<u>U.S. Department of Agriculture</u>								
Donated Foods	385	10 550	17,945 45		10,472 60	10,472 60		0 00
National School Breakfast	764	10 553	34,783 68		34,783 68	34,783 68		0 00
National School Lunch	763	10 555	145,719 59		145,719 59	145,719 59		0 00
Sub-Total			198,448 72	0 00	190,975 87	190,975 87	0 00	0 00
Total Federal Assistance			\$995,708 50	(683,286 36)	1,021,652 11	909,528 06	14,744 17	(585,906 48)

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bethany Public Schools District and is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

See accompanying letters and notes to financial statements

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF STATUTORY, FIDELITY, AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2012**

Kent Shellenberger - Superintendent

Employee Dishonesty Bond
Traveler's Insurance Companies Policy No. 105471947
\$100,000.00 Limit
Effective: From July 1, 2011 to July 1, 2012

DeLana Massey - Treasurer

Employee Dishonesty Bond
Traveler's Insurance Companies Policy No. 105471902
\$100,000.00 Limit
Effective: From July 1, 2011 to July 1, 2012

Employee Dishonesty Bond
United Educators Insurance Co. RRG Policy No. RCN20070359401
\$10,000.00 Limit
Effective: From July 1, 2011 to July 1, 2012

Employee Dishonesty Bond
(Business Manager, Encumbrance Clerk, Secretary, Activity Clerk, Cafeteria Cashiers)
Western Surety Company Policy No. 69110453
\$30,000.00 Limit
Effective: From January 29, 2011 to January 29, 2012
January 29, 2012 to January 29, 2013

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC

Certified Public Accountants

169 E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Education
Bethany School District No. 88
Oklahoma County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis of Bethany School District No. 88, Oklahoma County, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 14, 2013, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified due to a departure related to the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bethany School District No. 88'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 Bethany School District No. 88's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bethany School District No. 88 internal controls 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 significant deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bethany School District No. 88'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 the Board of Education and management, all applicable Federal and State agencies, and those other governments from which Federal financial assistance was received, and is not intended to be, and should not be used, by anyone other than these specific parties.


Putnam & Company, PLLC

Edmond, Oklahoma
February 14, 2013

PUTNAM & COMPANY, PLLC

Certified Public Accountants

169 E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance In Accordance with *Office of Management and Budget Circular A-133*

The Honorable Board of Education
Bethany School District No. 88
Oklahoma County, Oklahoma

Compliance

We have audited the compliance of Bethany School District No. 88, Oklahoma County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Bethany School District No. 88'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 Bethany School District No. 88's management. Our responsibility is to express an opinion on Bethany School District No. 88's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bethany School District No. 88's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bethany School District No. 88's compliance with those requirements.

In our opinion, the Bethany School District No. 88 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

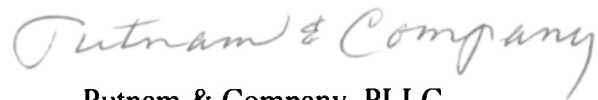
The management of the Bethany School District No. 88 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's 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 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 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 the 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 Board of Education, State Department of Education, management, and all applicable Federal and State agencies and is not intended to be, and should not be used, by anyone other than these specific parties.

A handwritten signature in cursive script that reads "Putnam & Company".

Putnam & Company, PLLC

Edmond, Oklahoma
February 14, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified due to regulatory basis presentation, and
Adverse with regards to GAAP conformity.

Internal control over financial reporting:

* Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
* Significant Deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u>	None

Reported

Noncompliance material to financial statement noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?	<u> </u> Yes	<u> </u> No	<u> X </u> N/A
* Significant Deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u>	None

Reported

Type of auditors' report issued on compliance for
Major programs:

N/A

Any audit findings disclosed that are required to
be reported in accordance with section 510 (a)
of OMB Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program

84.027

Flowthrough

84.027

Early Intervening Services

84.173

Preschool

Dollar threshold used to distinguish between type
A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Findings Relating to the Financial Statements

None

Section III – Findings and Questioned Costs for Federal Awards

N/A

Section IV – Status of Prior Year Audit Findings

None related to the financial statements or questioned costs for federal awards.

Section V – Management's Corrective Action Plan

N/A

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC

169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
fax (405) 348-7965

February 14, 2013

The Honorable Board of Education
Bethany School District No. 88
Oklahoma County, Oklahoma

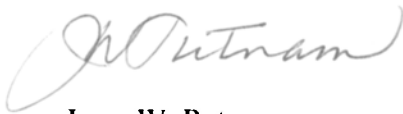
We have audited financial statements of Bethany School District No. 88, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2012, as listed in the table of contents, and have issued our report thereon dated February 14, 2013. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 14, 2013 on the financial statements of Bethany School District No. 88.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Putnam", written in dark ink.

Jerry W. Putnam

**BETHANY SCHOOL DISTRICT NO. 88
OKLAHOMA COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS

The prior year's comments have been addressed and resolved.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS

REVIEW OF PURCHASE ORDERS AND PAYMENTS

Our review of the purchase orders indicated that in almost every instance the purchase orders were properly approved and supported with adequate documentation. However we noted the following during our review:

<u>Findings</u>	<u>No. of Instances</u>
Invoice date before P.O. date	5
Did not sign for goods/services	10
No Non-Kickback Affidavit	1
Incomplete Documentation	5
P.O. Not Available for Review	1

REVIEW OF ACTIVITY FUND TRANSACTIONS

During our review of the Activity Fund transactions we noted that the transactions were well documented. However, we noted the following during our review:

<u>Findings</u>	<u>No. of Instances</u>
Invoice date before P.O. date	2
Did not sign for goods/services	5
Incomplete Documentation	2
Paid Sales Tax	1
Inaccurate Math	1

DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.