ANNUAL FINANCIAL REPORT

DEPENDENT SCHOOL DISTRICT NO. 9

OPTIMA PUBLIC SCHOOL DISTRICT

TEXAS COUNTY, OKLAHOMA

JULY 1, 2011 TO JUNE 30, 2012

OPTIMA PUBLIC SCHOOLS
DEPENDENT SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
JUNE 30, 2012

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

COMBINED FINANCIAL STATEMENTS

Combined Statement of Assets, Liabilities, and Equity – Regulatory Basis All Fund Types and Account Groups

Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances – Regulatory Basis – All Governmental Fund Types

Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Regulatory Basis – Budgeted Governmental Fund Types

Notes to Combined Financial Statements

OTHER SUPPLEMENTARY INFORMATION

Combining Statements of Assets, Liabilities, and Fund Balances – Regulatory Basis—All Special Revenue Funds

Combining Statements of Revenues Collected, Expenditures Paid, and Changes in Fund Balances – Regulatory Basis – All Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual – Regulatory Basis – All Special Revenue Funds

Combining Statements of Assets, Liabilities, and Fund Balances – Regulatory Basis—All Capital Project Funds

Combining Statements of Revenues Collected, Expenditures Paid, and Changes in Fund Balances – Regulatory Basis – All Capital Project Funds

Combining Statement of Changes in Cash Balances – Regulatory Basis – Activity Funds

Supporting Schedules

Schedule of Federal Awards Expended

Statutory, Fidelity, and Honesty Bonds

INTERNAL CONTROL AND COMPLIANCE REPORTS

Report on the Internal Control and Compliance over Financial Reporting in Accordance with Government Auditing Standards

ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

MANAGEMENT LETTER COMMENTS/ MANAGEMENT'S RESPONSE

OPTIMA PUBLIC SCHOOLS
DEPENDENT SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

SCHOOL DISTRICT BOARD MEMBERS

Louis Long
Donna Hinchey
Clyde Fischer

SUPERINTENDENT OF SCHOOL DISTRICT

Rex Hale

CLERK OF THE BOARD

Donna Hinchey

SCHOOL DISTRICT TREASURER

Diane Roberts

PUTNAM & COMPANY

Certified Public Accoutants

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Independent School District No. 9
Texas County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Optima School District No. 9, Texas 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 Optima School District, No. 9, Texas 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 Optima School District No. 9, Texas 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 Optima School District No. 9, Texas 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 April 22, 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 Optima School District No. 9, 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.

Putnam & Company

Putnam & Company, PLLC

Edmond, Oklahoma
April 22, 2013

COMBINED FINANCIAL STATEMENTS

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES - STATUTORY BASIS
(ALL FUND TYPES AND ACCOUNT GROUPS)
JUNE 30, 2012

	Governmental Fund Types		Fiduciary Fund Types	Totals
	General	Special Revenue	Trust and Agency	(Memorandum Only)
ASSETS				
Cash and Cash Equivalents	$200,190	52,603	56,487	309,280
Total Assets	$200,190	52,603	56,487	309,280
LIABILITIES				
Warrants Payable	$18,848	500		19,348
Total Liabilities	18,848	500	0	19,348
FUND EQUITY				
Fund Equity:				
Reserved for Encumbrances	8,616	2,830		11,446
Fund Balance	172,726	49,273	56,487	278,486
Total Fund Equity	181,342	52,103	56,487	289,932
Total Liabilities and Fund Equity	$200,190	52,603	56,487	309,280

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - STATUTORY BASIS
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types		Fiducuary Fund Types	Totals
	General	Special Revenue	Trust and Agency	(Memorandum Only)
REVENUES:				
Local Sources	$233,757	37,289	1,260	272,306
Intermediate Sources	16,473			16,473
State Sources	277,338	747		278,085
Federal Sources	84,491	46,068		130,559
Total Revenues Collected	612,059	84,104	1,260	697,423
EXPENDITURES:				
Instruction	307,007			307,007
Support Services	152,013	27,644	70	179,727
Non-Instructional Services	46,859	16,472		63,331
Other Outlays	93,583	3,287		96,870
Total Expenditures	599,462	47,403	70	646,935
Revenues Over (Under) Expenditures	12,597	36,701	1,190	50,488
OTHER FINANCING SOURCES (USES):				
Estopped Warrants	249	105		354
Total Other Financing Sources (Uses)	249	105	0	354
Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,846	36,806	1,190	50,842
Fund Balance, Beginning of Year	159,880	12,467	55,297	227,644
Fund Balance, End of Year	$172,726	49,273	56,487	278,486

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STATUTORY BASIS
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	$211,284	233,757	22,473	32,966	37,289	4,323
Intermediate Sources	13,176	16,473	3,297			0
State Sources	264,451	277,338	12,887	617	747	130
Federal Sources	15,145	84,491	69,346	38,879	46,068	7,189
Total Revenues	504,056	612,059	108,003	72,462	84,104	11,642
EXPENDITURES :						
Instruction	371,481	307,007	64,474			0
Support Services	152,013	152,013	0	49,924	27,644	22,280
Non-Instructional Services	46,859	46,859	0	31,718	16,472	15,246
Other Outlays	93,583	93,583	0	3,287	3,287	0
Total Expenditures	663,936	599,462	64,474	84,929	47,403	37,526
Revenues Over (Under) Expenditures	(159,880)	12,597	172,477	(12,467)	36,701	49,168
OTHER FINANCING SOURCES (USES):						
Estopped Warrants		249	249		105	105
Total Other Financing Sources (Uses)	0	249	249	0	105	105
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(159,880)	12,846	172,726	(12,467)	36,806	49,273
Fund Balance, Beginning of Year	159,880	159,880	0	12,467	12,467	0
Fund Balance, End of Year	$0	172,726	172,726	0	49,273	49,273

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

NOTES TO FINANCIAL STATEMENTS

OPTIMA SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Optima Public Schools Dependent District No. 9, Texas 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.

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.

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.

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.

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.

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 in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

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 it 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.

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

5. EMPLOYEE RETIREMENT SYSTEM

Basis of Accounting

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.

5. Employee Retirement System (Continued)

	Total Payroll	Contributions
2011-12	$ 306,792.	$ 26, 451.
2010-11	$ 273,555.	$ 25, 988.

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 April 22, 2013, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
ASSETS			
Cash and Cash Equivalents	$27,752	24,851	52,603
Total Assets	27,752	24,851	52,603
LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants Outstanding	500		500
Total Liabilities	500	0	500
Fund Equity:			
Reserve for Encumbrances	2,169	661	2,830
Fund Balance	25,083	24,190	49,273
Total Fund Equity	27,252	24,851	52,103
Total Liabilities and Fund Equity	$27,752	24,851	52,603

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
REVENUES:			
Local Sources	$32,861	4,428	37,289
State Sources	20	727	747
Federal Sources		46,068	46,068
Total Revenues Collected	32,881	51,223	84,104
EXPENDITURES:			
Support Services	27,052	592	27,644
Operation of Non-Instruction Services		16,472	16,472
Other Outlays	3,287		3,287
Total Expenditures	30,339	17,064	47,403
Excess of Revenues Over Expenditures	2,542	34,159	36,701
OTHER FINANCING SOURCES (USES):			
Estopped Warrants	105		105
Total Other Financing Sources (Uses)	105	0	105
Excess of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	2,647	34,159	36,806
Fund Balance, Beginning of Year	22,436	(9,969)	12,467
Fund Balance, End of Year	$25,083	24,190	49,273

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS 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			Child Nutrition Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	$30,183	32,861	2,678	2,783	4,428	1,645
State Sources		20	20	617	727	110
Federal Sources			0	38,879	46,068	7,189
Total Revenues	30,183	32,881	2,698	42,279	51,223	8,944
EXPENDITURES :						
Support Services	49,332	27,052	22,280	592	592	0
Operation of Non-Instructional Services			0	31,718	16,472	15,246
Other Outlays	3,287	3,287	0			0
Total Expenditures	52,619	30,339	22,280	32,310	17,064	15,246
Revenues Over (Under) Expenditures	(22,436)	2,542	24,978	9,969	34,159	24,190
OTHER FINANCING SOURCES (USES):						
Estopped Warrants		105	105			0
Total Other Financing Sources (Uses)	0	105	105	0	0	0
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(22,436)	2,647	25,083	9,969	34,159	24,190
Fund Balance, Beginning of Year	22,436	22,436	0	(9,969)	(9,969)	0
Fund Balance, End of Year	$0	25,083	25,083	0	24,190	24,190

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
TRUST AND AGENCY FUNDS
JUNE 30, 2012

	INSURANCE FUND	TOTALS (Memorandum Only)
ASSETS		
Cash and Cash Equivalents	$56,487	56,487
Total Assets	56,487	56,487
LIABILITIES AND FUND EQUITY		
Liabilities:		
Warrants Payable	$0	0
Total Liabilities	0	0
Fund Equity:		
Fund Balance	56,487	56,487
Total Fund Equity	56,487	56,487
Total Liabilities and Fund Equity	$56,487	56,487

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
TRUST & AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	INSURANCE FUND	TOTALS (Memorandum Only)
REVENUES:		
Local Sources	$1,260	1,260
Total Revenues Collected	1,260	1,260
EXPENDITURES:		
Support Services	70	70
Total Expenditures	70	70
Excess of Revenues Over Expenditures	1,190	1,190
OTHER FINANCING SOURCES (USES):		
Deobligation of Prior Year Funds		0
Total Other Financing Sources (Uses)	0	0
Excess of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	1,190	1,190
Fund Balance, Beginning of Year	55,297	55,297
Fund Balance, End of Year	$56,487	56,487

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

	Federal CFDA Number	Project Code	Program or Award Amount	Cash/ Beginning Balance at July 1, 2011	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2012
Passed through the Oklahoma Department of Education:							
IDEA Flowthrough	84.027	621	$0.00				0.00
IDEA Flowthrough - Prior Year	84.027	799		(14,762.35)	14,762.35		0.00
IDEA - B Flowthrough ARRA - Prior Year	84.391	799		(16,977.45)	16,977.45		0.00
Title I	84.010	511	24,701.47		24,101.47	24,101.47	0.00
Title I - ARRA, Prior Year	84.389	799		(11,588.55)	11,588.55		0.00
Title II, Part A - Prior Year	84.367	799		(3,473.37)	3,473.37		0.00
Title II, Part D - Prior Year	84.318	799		(83.10)	83.10		0.00
Education Jobs - Prior Year	84.410	799		(16,427.00)	16,427.00		0.00
			24,701.47	(63,311.82)	87,413.29	24,101.47	0.00
U.S. Department of Agriculture:							
Passed Through the State Department of Education							
Donated Foods	10.550	385	1,986.14		1,950.31	1,950.31	0.00
Federal Lunches	10.555	763	26,301.97		26,301.97	26,301.97	0.00
Federal Breakfasts	10.553	764	19,765.59		19,765.59	19,765.59	0.00
Sub-total			48,053.70	0.00	48,017.87	48,017.87	0.00
Total Federal Assistance			$72,755.17	(63,311.82)	135,431.16	72,119.34	0.00

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Optima 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.

Note C: Federal expenditures reported above were chargeable to the respective Federal programs, however, in some instances, they may not be identical to amounts recorded under the specific OCAS project codes in the District's accounting records. Common reasons for those variances include: (1) timing differences, (2) differences in basis of accounting utilized, (3) mis-coding to other project codes, (4) refunds or reimbursements that offset expenditure data, (5) matching (or other local) expenditures that supplement or exceed Federal awarded amounts, and (6) approved indirect costs which are recorded under separate project codes.

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

OPTIMA SCHOOL DISTRICT NO. 9
STATEMENT OF STATUTORY, FIDELITY, AND HONESTY BONDS

Diane Roberts – Treasurer
Employee Dishonesty Bond
Liberty Mutual – Ohio Casualty Bond – Policy No. 3427109
$30,000 Limit
Effective July 1, 2011 to June 30, 2012

Rex Hale - Superintendent
Liberty Mutual – Ohio Casualty Bond – Policy No. 3821191
$100,000 Limit
Effective July 1, 2011 to June 30, 2012

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 S.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
Optima School District No. 9
Texas County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis of Optima School District No. 9, Texas 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 April 22, 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 Optima School District No. 9'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 Optima School District No. 9's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Optima School District No. 9 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 Optima School District No. 9'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

Putnam & Company, PLLC

Edmond, Oklahoma
April 22, 2013

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

Optima School District No. 9
Texas County, Oklahoma

Schedule of Accountants' Professional Liability Insurance Affidavit
For the Year Ending June 30, 2012

STATE OF OKLAHOMA)
) ss
County of Oklahoma)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in Accordance with the "Oklahoma Public School Audit law" at the time of audit contract and during the entire audit engagement with Optima School District No. 9 for the audit year 2011-2012.

Putnam & Company, PLLC

JK Putnam CPA

Subscribed and sworn to before me on this 22nd day of April, 2013.
My commission expires on 4th day of June, 2015.

Amy Ziemba

Notary Public
Commission No. 03003504

AMY ZIEMBA
NOTARY
03003504
EXP. 06/04/15
PUBLIC
STATE OF OKLAHOMA

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
Fax (405) 348-7965

April 22, 2013

The Honorable Board of Education
Optima School District No. 9
Texas County, Oklahoma

We have audited financial statements of Optima School District No. 9, Texas 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 April 22, 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 April 22, 2013 on the financial statements of Optima School District No. 9.

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,

Jerry W. Putnam

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS 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

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 findings:

Problem Noted	No. of Instances
Did Not Sign for Goods/Services	3
Prior Year Expenditure	2
Paid From a Vendor's Statement	4
Paid Sales Tax	2
Inaccurate Math	3
Invoice Date Before P.O. Date	1
Incomplete Documentation	2

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.