

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO 1-71
McCURTAIN COUNTY, OKLAHOMA**

Financial Statements
June 30, 2012

With Independent Auditors' Report Thereon

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO 1-71
McCURTAIN COUNTY, OKLAHOMA
June 30, 2012**

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BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO 1-71
McCURTAIN COUNTY, OKLAHOMA
June 30, 2012

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**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO 1-71
McCURTAIN COUNTY, OKLAHOMA
June 30, 2012**

Board of Education

President	James Hamilton
Vice-President	Marla Reynolds
Member - Clerk	Wade Hodge
Member	Kevin Blake
Member	Amy Gilbreath

School District Treasurer

Glenda Reich

Minute Clerk

Glenda Reich

Encumbrance Clerk

Daina Huff

Superintendent of Schools

Lendall Martin

INDEPENDENT AUDITOR'S REPORT

The Board of Education
Battiest Independent School District I-71
Battiest, McCurtain County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Battiest School District No. I-71, McCurtain County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Battiest School District, No. I-71, McCurtain 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 reasonably 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 differs from 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 addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amounts that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

Battiest Independent School District I-71
McCurtain County, Oklahoma

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Battiest Independent School District, No. I-71, McCurtain County, Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, the liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Battiest School District No. I-71, McCurtain County, Oklahoma, as of June 30, 2012, and the revenues collected, expenditures paid/expensed, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2012, on our consideration of Battiest Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, the combining fund statements and schedules and other schedules as listed in the table of contents under the supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

August 8, 2012



COMBINED FINANCIAL STATEMENTS

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
 Combined Statement of Assets, Liabilities and Fund Balance
 All Fund Types and Account Groups - Regulatory Basis
 June 30, 2012

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 624,274	\$ 261,549	\$ 25,555	\$ 911,378
TOTAL ASSETS	<u>\$ 624,274</u>	<u>\$ 261,549</u>	<u>\$ 25,555</u>	<u>\$ 911,378</u>
 <u>LIABILITIES AND FUND BALANCE:</u>				
<u>LIABILITIES:</u>				
Warrants Payable	\$ 78,411	\$ 865	\$ -	\$ 79,276
Encumbrances	<u>11,123</u>	<u>-</u>	<u>-</u>	<u>11,123</u>
TOTAL LIABILITIES	<u>89,534</u>	<u>865</u>	<u>-</u>	<u>90,399</u>
 <u>FUND BALANCE:</u>				
Fund Balances	<u>534,740</u>	<u>260,684</u>	<u>25,555</u>	<u>820,979</u>
TOTAL FUND BALANCE	<u>534,740</u>	<u>260,684</u>	<u>25,555</u>	<u>820,979</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 624,274</u>	<u>\$ 261,549</u>	<u>\$ 25,555</u>	<u>\$ 911,378</u>

The accompanying notes are an integral part of this statement.

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid and
 Changes in Fund Balances
 All Governmental Fund Types - Regulatory Basis
 Year Ended June 30, 2012

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<u>REVENUES COLLECTED:</u>			
District Sources	\$ 350,979	\$ 49,311	\$ 400,290
Intermediate Sources	29,952	-	29,952
State Sources	1,698,180	2,123	1,700,303
Federal Sources	354,047	98,636	452,683
	2,433,158	150,070	2,583,228
<u>EXPENDITURES PAID:</u>			
Instruction	1,328,175	-	1,328,175
Support Services	1,124,384	65,767	1,190,151
Non-Instruction Services	102,740	106,919	209,659
Capital Outlay	-	-	-
Other Outlays	1,011	-	1,011
	2,556,310	172,686	2,728,996
Excess of Revenues Collected Over (Under) Expenditures Paid	(123,152)	(22,616)	(145,768)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Excess of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(123,152)	(22,616)	(145,768)
FUND BALANCE, BEGINNING OF YEAR	657,892	283,300	941,192
FUND BALANCE, END OF YEAR	\$ 534,740	\$ 260,684	\$ 795,424

The accompanying notes are an integral part of this statement.

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid
 And Changes in Fund Balance - Budget and Actual - Regulatory Basis
 Budgeted Governmental Fund Types – General Fund
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES COLLECTED:</u>				
District Sources	\$ 251,472	\$ 251,472	\$ 350,979	\$ 99,507
Intermediate Sources	26,416	26,416	29,952	3,536
State Sources	1,645,288	1,645,288	1,698,180	52,892
Federal Sources	-	-	354,047	354,047
TOTAL REVENUE COLLECTED	<u>1,923,176</u>	<u>1,923,176</u>	<u>2,433,158</u>	<u>509,982</u>
<u>EXPENDITURES PAID:</u>				
Instruction	1,352,748	1,352,748	1,328,175	24,573
Support Services	1,124,545	1,124,545	1,124,384	161
Non-Instruction Services	102,750	102,750	102,740	10
Capital Outlay	-	-	-	-
Other Outlays	1,025	1,025	1,011	14
TOTAL EXPENDITURES PAID	<u>2,581,068</u>	<u>2,581,068</u>	<u>2,556,310</u>	<u>24,758</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	(657,892)	(657,892)	(123,152)	534,740
<u>OTHER FINANCING RESOURCES (USES)</u>				
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(657,892)	(657,892)	(123,152)	534,740
FUND BALANCE, BEGINNING OF YEAR	<u>657,892</u>	<u>657,892</u>	<u>657,892</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,740</u>	<u>\$ 534,740</u>

The accompanying notes are an integral part of this statement.

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual - Regulatory Basis
Budgeted Governmental Fund Types – Special Revenue Fund
Year Ended June 30, 2012

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES COLLECTED:</u>			
District Sources	\$ 37,969	\$ 49,311	\$ 11,342
Intermediate Sources	-	-	-
State Sources	2,193	2,123	(70)
Federal Sources	86,621	98,636	12,015
TOTAL REVENUE COLLECTED	<u>126,783</u>	<u>150,070</u>	<u>23,287</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	283,487	65,767	217,720
Non-Instruction Services	126,596	106,919	19,677
Other	-	-	-
TOTAL EXPENDITURES PAID	<u>410,083</u>	<u>172,686</u>	<u>237,397</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	(283,300)	(22,616)	260,684
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(283,300)	(22,616)	260,684
FUND BALANCE, BEGINNING OF YEAR	<u>283,300</u>	<u>283,300</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 260,684</u>	<u>\$ 260,684</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies

The financial statements of the Battiest Public Schools Independent District No. I-71 (the "District") have been prepared in conformity with another comprehensive basis of accounting prescribed or permitted by the Oklahoma 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 basis -- but not the only -- criterion for including a potential component unit in 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 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 involved 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.

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue fund of the District consists of the Building Fund and Child Nutrition Fund.

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.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries.

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Debt Service Fund - 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 earning 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.

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

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 formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principle. 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 Schools Athletics and Activities Fund which is used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

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.

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district.

Memorandum Only - Total Column

The total column on the combined 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

The District prepares its basic financial statements in a presentation format that is prescribed or permitted 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 are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

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.

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at June 30, 2012 that were provided for in the subsequent year's budget are:

General Fund	\$	11,123
Special Revenue Fund – Food Service		-
		-
Total	\$	11,123

E. Budgets and Budgetary Accounting

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the District.

F. Assets, Liabilities and Fund Balance

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 the purchase of Certificates of Deposit. All investments are recorded at cost.

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

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

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Fund Equity (continued)

Compensated Absences - The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

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.

Due to Activity Groups - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

Reserved for Debt Service - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District).

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

G. Revenue, Expenses and Expenditures

Local Sources - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Sources - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

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

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

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

G. Revenue, Expenses and Expenditures (continued)

The District receives revenues from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenue be accounted for in the general fund.

Federal Sources - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services Expenditures - This expenditures category consists of activities which provide non-instructional services to students, staff or the community.

Capital Outlays - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

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

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

H. Statement of Cash Flows

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2012 accompanying financial statements.

I. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 2. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit and savings accounts of bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the districts investment policy as follows:

It is the policy of the Board of Education that all general fund receipts shall be transmitted to the treasurer of the board of education. A receipt shall be issued by the person receiving the funds to the person depositing the funds, and a copy of the receipt shall be forwarded to the treasurer. All disbursements shall be issued by the treasurer in the form of legal warrants, bonds, or interest coupons.

The treasurer shall invest the following funds in direct obligation of the United States government, in certificates of deposit of banks secured by acceptable collateral, or in savings accounts or savings certificates of savings and loan associations. All deposits shall be insured by the Federal Deposit Insurance Corporation (FDIC):

1. Reserve funds from the general fund.
2. Reserve funds from the building fund.
3. Reserve funds in the sinking fund.

To determine that school funds are properly secured, the treasurer shall obtain from each bank where funds are deposited a listing of collateral pledged, setting forth the par value and market value of such collateral each time an investment is made.

Said funds are to be invested monthly in accordance with all applicable state and school laws.

Credit Risk is the risk that an issuer or other counter part to an investment will not fulfill its obligation.

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 2. Cash and Investments (continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investment held for longer periods of time are subject to increased risk of adverse interest rate changes. The School's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The school's investments are held in bank accounts and certificates of deposits which are short term to minimize Interest Rate Risk to as low of level as possible.

The District's deposits and investments are in two institutions as follows:

	Bank Balance	Pledged Collateral	FDIC Insurance
McCurtain County National Bank	\$ 885,823	\$ 1,069,813	\$ 250,000
First National Bank Idabel, OK	26,591	-	250,000
Total Deposits	\$ 912,414	\$ 1,069,813	

Note 3. Employee Retirement System

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

The District was required by statute to contribute 9.5% of applicable compensation for the year to June 30, 2012. The District is required to match the retirement paid on salaries paid with federal funds.

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 4. 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.

Note 5. Subsequent Events

There have been no subsequent events that would have a material adverse effect on the financial condition of the District.

Note 6. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 7. School Employee Bonding

The encumbrances clerk, minute clerk, and lunch fund custodian are all bonded by Western Surety Company for the amount of \$5,000

The superintendent is bonded by Western Surety Company for the amount of \$100,000.

The activity fund custodian and principal are bonded by the Western Surety Company for the amount of \$20,000.

The Treasurer is bonded by Western Surety Company in amount of \$100,000.

COMBINING FINANCIAL STATEMENTS

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Balances
All Special Revenue Funds - Regulatory Basis
June 30, 2012

	<u>Child Nutrition Program Fund</u>	<u>Building Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 37,534	\$ 224,015	\$ 261,549
TOTAL ASSETS	<u>\$ 37,534</u>	<u>\$ 224,015</u>	<u>\$ 261,549</u>
<u>LIABILITIES AND CASH FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Encumbrances	\$ -	\$ -	\$ -
Outstanding Warrants	<u>865</u>	<u>-</u>	<u>865</u>
TOTAL LIABILITIES	<u>865</u>	<u>-</u>	<u>865</u>
<u>FUND EQUITY:</u>			
Fund Balances	<u>36,669</u>	<u>224,015</u>	<u>260,684</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,534</u>	<u>\$ 224,015</u>	<u>\$ 261,549</u>

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances - All Special Revenue Funds - Regulatory Basis
June 30, 2012

	Child Nutrition Program Fund	Building Fund	Total (Memorandum Only)
<u>REVENUES COLLECTED:</u>			
District Sources of Revenue	\$ 7,065	\$ 42,246	\$ 49,311
Intermediate Sources of Revenue	-	-	-
State Sources of Revenue	2,123	-	2,123
Federal Sources of Revenue	98,636	-	98,636
	<u>107,824</u>	<u>42,246</u>	<u>150,070</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	-	65,767	65,767
Non-Instruction Services	106,919	-	106,919
Capital Outlay	-	-	-
Other Outlays	-	-	-
	<u>106,919</u>	<u>65,767</u>	<u>172,686</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	905	(23,521)	(22,616)
<u>OTHER RESOURCES AND USES:</u>			
Operating Transfers In	-	-	-
Excess of Revenues and Other Resources Over (Under) Expenditures and Other Uses	905	(23,521)	(22,616)
FUND BALANCE, BEGINNING OF YEAR	<u>35,764</u>	<u>247,536</u>	<u>283,300</u>
FUND BALANCE, END OF YEAR	<u>\$ 36,669</u>	<u>\$ 224,015</u>	<u>\$ 260,684</u>

Child Nutritional Fund		
Original Budget	Final Budget	Actual
\$ 2,018	\$ 2,018	\$ 7,065
2,193	2,193	2,123
86,621	86,621	98,636
<u>90,832</u>	<u>90,832</u>	<u>107,824</u>
-	-	-
-	-	-
126,596	126,596	106,919
-	-	-
-	-	-
<u>126,596</u>	<u>126,596</u>	<u>106,919</u>
(35,764)	(35,764)	905
-	-	-
(35,764)	(35,764)	905
35,764	35,764	35,764
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,669</u>

Total		
Original Budget	Final Budget	Actual
\$ 37,969	\$ 37,969	\$ 49,311
2,193	2,193	2,123
86,621	86,621	98,636
<u>126,783</u>	<u>126,783</u>	<u>150,070</u>
-	-	-
283,487	283,487	65,767
126,596	126,596	106,919
-	-	-
-	-	-
<u>410,083</u>	<u>410,083</u>	<u>172,686</u>
(283,300)	(283,300)	(22,616)
-	-	-
(283,300)	(283,300)	(22,616)
(283,300)	(283,300)	283,300
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,684</u>

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances – Budget and Actual (Regulatory Basis)

Special Revenue Fund Types
Year Ended June 30, 2012

	Building Fund		
	Original Budget	Final Budget	Actual
<u>Revenues Collected:</u>			
District Sources of Revenue	\$ 35,951	\$ 35,951	\$ 42,246
State Sources of Revenue	-	-	-
Federal Sources of Revenue	-	-	-
TOTAL REVENUE COLLECTED	<u>35,951</u>	<u>35,951</u>	<u>42,246</u>
EXPENDITURES			
Instruction	-	-	-
Support Services	283,487	283,487	65,767
Non-Instruction Services	-	-	-
Capital Outlays	-	-	-
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	<u>283,487</u>	<u>283,487</u>	<u>65,767</u>
Excess of Revenue Over (Under) Expenditures Paid	(247,536)	(247,536)	(23,521)
<u>OTHER RESOURCES AND USES:</u>			
Operating Transfers In	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	(247,536)	(247,536)	(23,521)
FUND BALANCE, BEGINNING OF YEAR	<u>247,536</u>	<u>247,536</u>	<u>247,536</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,015</u>

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Combining Assets, Liabilities and Fund Balance
Fiduciary Funds – Regulatory Basis
June 30, 2012

	<u>Agency Fund</u>
	<u>Activity</u>
	<u>Fund</u>
 <u>ASSETS</u>	
Cash	\$ 25,555
TOTAL ASSETS	\$ 25,555
 <u>FUND BALANCE</u>	
Unreserved/Undesignated	\$ 6,156
Designated Student Groups	16,399
	25,555
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,555

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**

Combining Statement of Changes in Assets, Liabilities and Fund Balance – Regulatory Basis
Year Ended June 30, 2012

<u>Description</u>	Beginning Balance 6/30/2011	Receipts	Adjustments	Disbursements	Ending Balance 6/30/2012
Athletics	\$ 2,751	\$ 19,376	\$ -	\$ 21,735	\$ 391
Softball	129	13,616	-	13,367	379
Baseball	337	4,977	-	5,114	201
Gen Activity	12	37	161	-	210
Cafeteria	-	6,010	-	6,010	-
Class of 2015	328	181	-	-	508
Drama Club	134	383	-	27	490
Class of 2013	-	2,648	-	2,640	8
Business	71	-	-	-	71
Cheerleaders	1,380	1,860	-	1,162	2,078
Elementary	8,961	30,897	-	28,989	10,868
Yearbook	3,056	7,189	-	6,181	4,063
Petty Cash	-	200	-	200	-
High School	865	5,074	-	5,027	912
FFA	3,408	19,379	-	20,774	2,013
Student Council	154	-	-	-	154
Nat. Honor Society	95	56	-	85	66
FCCLA	1,002	4,926	-	5,553	375
Music	161	-	(161)	-	-
Library	2,145	1,848	-	1,848	2,145
ISA	12	2,065	-	1,763	315
Science Club	307	-	-	-	307
Total	\$ 25,308	\$ 120,723	\$ -	\$ 120,477	\$ 25,554

SUPPORTING SCHEDULES

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA**
Schedule of Expenditures of Federal Awards-Regulatory Basis
Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA No.	Pass Through Grantor's Number	Balance To Receive 06/30/2011
<u>U.S. Department of Education Direct Programs:</u>			
Impact Aid	84.041	46-OK-2012	\$ -
Small Rural School Achievement Program	84.358A	S358A104799	4,136
Title VII	84.060A	S060A061064	1,988
TOTAL U.S. DEPARTMENT OF EDUCATION			6,124
<u>Passed Through State Department of Education:</u>			
IDEA - B	84.027	N/A	-
Title I Part A - Basic	84.010	N/A	2,408
Indian Ed - JOM	15.130	N/A	267
Special Ed Pre School	84.173	N/A	387
Title II - Part A	84.367	N/A	826
Title I Academic Achievement	84.010	N/A	-
Title I Excess Carryover	84.010	N/A	-
			-
TOTAL DEPARTMENT OF EDUCATION			3,888
<u>Passed Through State Of Oklahoma</u>			
Forest Reserves	10.665	N/A	-
TOTAL STATE OF OKLAHOMA			-
<u>Passed Through U.S. Department of Agriculture:</u>			
Child Nutrition - Breakfasts	10.553	N/A	-
Child Nutrition - Lunches	10.555	N/A	-
TOTAL DEPARTMENT OF AGRICULTURE			-
<u>Passed Through U.S. Department of Human Services:</u>			
Commodity Supplemental Food Program	10.565	N/A	-
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			-
TOTAL FEDERAL ASSISTANCE			\$ 10,012

1 - Clustered Program
2 - Clustered Program

Balance to

Receive

06/30/2012

Receipts	Expenditures	Balance to Receive
\$ 77,708	\$ 77,708	\$ -
9,831	11,448	7,312
29,464	19,579	6,858
<u>117,003</u>	<u>108,735</u>	<u>14,170</u>
71,342	55,813	32,565
67,030	73,732	60,476
6,517	7,215	5,706
218	1,516	1,516
24,966	20,917	20,917
24,790	21,941	-
1,620	-	-
-	-	-
<u>196,483</u>	<u>181,134</u>	<u>121,180</u>
36,329	36,329	-
<u>36,329</u>	<u>36,329</u>	<u>-</u>
25,192	21,198	-
70,889	64,959	-
<u>96,081</u>	<u>86,157</u>	<u>-</u>
6,788	6,788	-
<u>6,788</u>	<u>6,788</u>	<u>-</u>
\$ 452,684	\$ 419,143	\$ 135,350

**BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
MCCURTAIN COUNTY, OKLAHOMA**

Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis
Year Ended June 30, 2012

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Battiest Public Schools, I-71, McCurtain County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

No amounts were passed through to a subrecipient.

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

BATTIEST PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-71
McCURTAIN COUNTY, OKLAHOMA
Schedule of Accountant's Professional Liability Insurance Affidavit
July 1, 2011 to June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF MCCURTAIN)

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 agreement with the Battiest Public Schools for the audit year 2011-2012.

Johnston and Bryant, C.P.A.'S
By *Mike Johnston CPA*

Subscribed and sworn to before me this 4th day of September 2012.

Jackie Harris
Notary Public



My commission expires 11-17-2012

Commission No. 08011655

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

**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 Board of Education
Battiest Independent School District No. I-71
Battiest, McCurtain County, Oklahoma

We have audited the financial statements of Battiest Independent School District No. I-71, McCurtain County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated August 8, 2012. As stated in our report, the financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from accounting principals generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. 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 Battiest Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but nor for the purpose of expressing an opinion on the effectiveness of Battiest Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 and 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 Battiest Independent School District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 8, 2012

A handwritten signature in black ink, appearing to read "Jubert + Bryan". The signature is written in a cursive style with a large, looping initial 'J'.

BATTIEST INDEPENDENT SCHOOL DISTRICT NO.I-71
McCURTAIN COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Status of Prior Year Findings

None.

Current Year Audit Findings

None.