

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

**CLAREMORE INDEPENDENT SCHOOL DISTRICT, NO. I-1,  
ROGERS COUNTY, OKLAHOMA**

**JUNE 30, 2012**

Audited by

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

**BROKEN ARROW, OK**

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2012

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INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-6
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements - Regulatory Basis Performed in Accordance with Government Auditing Standards	7-8
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9-10
Disposition of Prior Year's Reportable Conditions and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12
<b>Combined Financial Statements – Regulatory Basis</b>	
Combined Statement of Assets, Liabilities and Fund Equity – All Fund Types and Account Groups – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15-17
<b>Notes to Combined Financial Statements - Regulatory Basis</b>	18-34
<b>Combining Financial Statements – Regulatory Basis</b>	
Combining Statement of Assets, Liabilities and Fund Equity – All Special Revenue Funds – Regulatory Basis	35

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
JUNE 30, 2012

Page No.

**Combining Financial Statements – Regulatory Basis – cont'd**

Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	36
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	37
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Capital Projects Funds – Regulatory Basis	38
Combining Statement of Assets, Liabilities and Fund Equity – All Fiduciary Fund Types – Regulatory Basis	39
Combining Statement of Changes in Assets and Liabilities – Trust and Agency Funds – Regulatory Basis	40-43
Schedule of Expenditures of Federal Awards – Regulatory Basis	44
Schedule of Statutory, Fidelity and Honesty Bonds	46
Schedule of Accountant's Professional Liability Insurance Affidavit	47

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Claremore School District No. I-1  
Claremore, Oklahoma

We have audited the accompanying fund type and account group financial statements of Claremore School District No. I-1 (the District), Rogers County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2012, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 24, 2012

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

The Honorable Board of Education  
Claremore School District No. I-1  
Claremore, Oklahoma

We have audited the combined financial statements – regulatory basis of Claremore School District (the District) No. I-1, Claremore, Oklahoma, as of and for the year ended June 30, 2012, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated December 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial matters that we reported to management of the District in a separate letter dated December 24, 2012.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 24, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Claremore School District No. I-1  
Claremore, Oklahoma

**Compliance**

We have audited Claremore School District (the District) No. I-1, Claremore, Oklahoma's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 24, 2012

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL  
INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2012

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012

**Section 1** – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are the Title I Programs (84.010, 84.013), Special Education Programs (84.027, 84.173, 84.391), and the Child Nutrition Programs (10.553, 10.555, 10.559), which were clustered in determination, and the Education Jobs Fund (84.410), which was not clustered.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not to be a low-risk auditee.

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

None

**Section 3** – Findings and questioned costs for federal awards:

None

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2012**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>(Memorandum Only)</u>	
							2012	2011
Cash	\$ 3,457,324	1,021,278	2,358,943	625,000	624,281		8,086,826	8,189,347
Amounts available in debt service						111,848	111,848	214,924
Amounts to be provided for retirement of general long-term debt						34,498,986	34,498,986	35,281,437
<b>Total Assets</b>	<b>\$ 3,457,324</b>	<b>1,021,278</b>	<b>2,358,943</b>	<b>625,000</b>	<b>624,281</b>	<b>34,610,834</b>	<b>42,697,660</b>	<b>43,685,708</b>
 <b>LIABILITIES AND FUND EQUITY</b> 								
Liabilities:								
Warrants payable	\$ 766,319	39,952			100		806,371	824,553
Encumbrances	256,178	112,747			200		369,125	917,137
Unmatured obligations			2,247,095				2,247,095	2,111,074
Funds held for school organizations					590,820		590,820	557,318
Long-term debt:								
Bonds payable						9,185,000	9,185,000	10,160,000
Capital leases						25,425,834	25,425,834	25,336,361
Total liabilities	<u>1,022,497</u>	<u>152,699</u>	<u>2,247,095</u>	<u>0</u>	<u>591,120</u>	<u>34,610,834</u>	<u>38,624,245</u>	<u>39,906,443</u>
Fund Equity:								
Cash fund balances	<u>2,434,827</u>	<u>868,579</u>	<u>111,848</u>	<u>625,000</u>	<u>33,161</u>	<u>0</u>	<u>4,073,415</u>	<u>3,779,265</u>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,457,324</b>	<b>1,021,278</b>	<b>2,358,943</b>	<b>625,000</b>	<b>624,281</b>	<b>34,610,834</b>	<b>42,697,660</b>	<b>43,685,708</b>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2012**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST FUNDS	2012	2011
<b>Revenues:</b>							
Local sources	\$ 5,395,547	2,116,273	2,921,681			10,433,501	10,352,939
Intermediate sources	846,232					846,232	845,822
State sources	16,130,153	412,490				16,542,643	15,640,451
Federal sources	1,981,030	899,164				2,880,194	4,857,768
Interest earnings	16,258	19,440	9,718			45,416	121,606
Return on assets	199,886	6,333				206,219	39,055
Total revenues	<u>24,569,106</u>	<u>3,453,700</u>	<u>2,931,399</u>	<u>0</u>	<u>0</u>	<u>30,954,205</u>	<u>31,857,641</u>
<b>Expenditures:</b>							
Instruction	16,063,719	702,753				16,766,472	16,776,912
Support services	8,775,141	1,308,307				10,083,448	10,472,672
Operation of non-instructional services	127,817	1,647,565				1,775,382	1,670,003
<b>Other outlays:</b>							
Debt service				1,225,000		1,225,000	3,000,000
Debt service requirements			3,034,475			3,034,475	2,822,950
Private nonprofit schools	5,202					5,202	11,139
Correcting entry/reimbursements	113,239	865				114,104	16,156
Other uses (scholarships)					2,975	2,975	7,500
Repayments	654	2,338				2,992	58,294
Total expenditures	<u>25,085,772</u>	<u>3,661,828</u>	<u>3,034,475</u>	<u>1,225,000</u>	<u>2,975</u>	<u>33,010,050</u>	<u>34,835,626</u>
Revenues over (under) expenditures	(516,666)	(208,128)	(103,076)	(1,225,000)	(2,975)	(2,052,870)	(2,977,985)
<b>Other financing sources (uses):</b>							
Adjustments to prior year encumbrances	516,039	181,203				697,242	48,496
Estopped warrants	1,108	1,645				2,753	
Bond proceeds				1,650,000		1,650,000	3,200,000
Total other financing sources (uses)	<u>517,147</u>	<u>182,848</u>	<u>0</u>	<u>1,650,000</u>	<u>0</u>	<u>2,349,995</u>	<u>3,248,496</u>
Revenue and other sources over (under) expenditures and other uses	481	(25,280)	(103,076)	425,000	(2,975)	294,150	270,511
Cash fund balance, beginning of year	<u>2,434,346</u>	<u>893,859</u>	<u>214,924</u>	<u>200,000</u>	<u>36,136</u>	<u>3,779,265</u>	<u>3,508,754</u>
Cash fund balance, end of year	<u>\$ 2,434,827</u>	<u>868,579</u>	<u>111,848</u>	<u>625,000</u>	<u>33,161</u>	<u>4,073,415</u>	<u>3,779,265</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2012**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues:</b>			
Local sources	\$ 5,305,975	5,305,975	5,395,547
Intermediate sources	800,000	800,000	846,232
State sources	15,241,110	15,241,110	16,130,153
Federal sources	2,775,730	3,245,996	1,981,030
Interest earnings	19,600	19,600	16,258
Return on assets			199,886
Total revenues	<u>24,142,415</u>	<u>24,612,681</u>	<u>24,569,106</u>
<b>Expenditures:</b>			
Instruction	15,893,197	15,960,462	16,063,719
Support services	8,816,979	9,093,148	8,775,141
Operation of non-instructional services	108,989	115,290	127,817
Other outlays:			
Clearing account	286,594	286,594	
Indirect cost	32,136	32,960	
Private nonprofit schools	14,068	23,660	5,202
Correcting entry/Reimbursements	3,697	113,236	113,239
Repayments	78	654	654
Total expenditures	<u>25,155,738</u>	<u>25,626,004</u>	<u>25,085,772</u>
Revenues over (under) expenditures	(1,013,323)	(1,013,323)	(516,666)
<b>Other financing sources (uses):</b>			
Adjustments to prior year encumbrances	500,000	500,000	516,039
Estopped warrants			1,108
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>517,147</u>
Revenue and other sources over (under) expenditures and other uses	(513,323)	(513,323)	481
Cash fund balance, beginning of year	<u>2,434,346</u>	<u>2,434,346</u>	<u>2,434,346</u>
Cash fund balance, end of year	<u>\$ 1,921,023</u>	<u>1,921,023</u>	<u>2,434,827</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues:</b>			
Local sources	\$ 2,119,887	2,119,887	2,116,273
State sources	414,558	414,558	412,490
Federal sources	885,812	885,812	899,164
Interest earnings	18,600	18,600	19,440
Return on assets			6,333
Total revenues	3,438,857	3,438,857	3,453,700
<b>Expenditures:</b>			
Instruction	807,680	749,247	702,753
Support services	1,341,000	1,399,213	1,308,307
Operation of non-instructional services	1,663,824	1,663,824	1,647,565
<b>Other uses:</b>			
Correcting entry/Reimbursements	12,300	12,520	865
Repayments	2,300	2,300	2,338
Non-categorical	115,000	115,000	
Total expenditures	3,942,104	3,942,104	3,661,828
Revenues over (under) expenditures	(503,247)	(503,247)	(208,128)
<b>Other financing sources (uses):</b>			
Adjustments to prior year encumbrances			181,203
Estopped warrants			1,645
Total other financing sources (uses)	0	0	182,848
Revenue and other sources over (under) expenditures and other uses	(503,247)	(503,247)	(25,280)
Cash fund balance, beginning of year	893,859	893,859	893,859
Cash fund balance, end of year	\$ 390,612	390,612	868,579

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



**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2012**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 2,822,958	2,822,958	2,931,399
Expenditures:			
Other outlays-			
Debt service	3,037,882	3,037,882	3,034,475
Revenues over (under) expenditures	(214,924)	(214,924)	(103,076)
Cash fund balance, beginning of year	214,924	214,924	214,924
Cash fund balance, end of year	\$ 0	0	111,848

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

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements – regulatory basis of the Claremore Public Schools Independent District No. I-1 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Fund Accounting**

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

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

Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

**Governmental Fund Types**

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

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

Special Revenue Funds – Special revenue funds include the District’s building, co-op and child nutrition funds.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Fund Accounting - cont'd

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

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

Capital Projects Fund – The capital projects fund is the District’s bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

**Fiduciary Fund Types**

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

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District maintained the gifts and endowments fund during the 2011-12 fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

B. Fund Accounting – cont’d

Medical Insurance Fund – The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund – The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund – The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

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

**Account Groups**

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

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

General Fixed Assets Account Group – This account group is used by governments to account for property, plant and equipment.

**Memorandum Only - Total Column**

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Fund Accounting – cont'd

analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

C. Basis of Accounting – cont'd

The District has maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31, for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

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

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

<u>Fund</u>	<u>Total</u>
General	\$470,266

These amendments were approved by the county excise board.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Budgets and Budgetary Accounting – cont'd**

utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

**E. Assets, Liabilities and Fund Equity**

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

Investments – The District is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the District. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2012, is not material to the combined financial statements and therefore not included in them.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets Account Group is presented at cost.

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

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations – The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of



INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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

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

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1.

The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

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

Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

between the District and the state, and distributed to Districts in amounts that differ in proportion to those which were collected within such systems.

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

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

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

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

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

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

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

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

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during the 2011-12 fiscal year.

**2. CASH AND INVESTMENTS**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2012, was \$8,096,764. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2012, the District had no outstanding investments.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2012

**2. CASH AND INVESTMENTS – cont'd**

*Credit risk – Investments* – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District does not have a formal policy limiting its exposure arising from concentration of investments.

**3. INTERFUND RECEIVABLES AND PAYABLES**

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

**4. GENERAL LONG-TERM DEBT**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

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

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

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, July 1, 2011	\$ 10,160,000	25,336,361	35,496,361
Additions	1,650,000	325,315	1,975,315
Retirements	<u>(2,625,000)</u>	<u>(235,842)</u>	<u>(2,860,842)</u>
Balance, June 30, 2012	<u>\$ 9,185,000</u>	<u>25,425,834</u>	<u>34,610,834</u>

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2012

**4. GENERAL LONG-TERM DEBT – cont'd**

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

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
General Obligation Combined Purpose Bonds, Series 2008, original issue of \$4,725,000, interest rate of 2.6% to 3.45%, due in annual installments of \$1,180,000, final payment of \$1,185,000, due 4-01-13	\$ 1,185,000
Building Bonds, Series 2009, original issue \$4,200,000, interest rate of 1.60% to 2.25%, due in annual installments of \$1,050,000, final payment due 7-01-14	3,150,000
Building Bonds, Series 2010, original issue \$3,200,000, interest rate of 1.45% to 2.00%, due in annual installments of \$800,000, final payment due 7-01-15	3,200,000
Building Bonds, Series 2011, original issue \$1,650,000, interest rate of 1.25% to 1.60%, due in annual installments of \$410,000, final payment due 7-01-16	1,650,000
<u>Capital Leases:</u>	
Lease purchase of an Energy Management system, dated 12-13-05, totaling \$522,544, due in quarterly principal and interest installments of \$15,799, final payment due 12-15-15	206,018
Lease purchase of copiers, dated 7-22-09 totaling \$59,402, 3.75%, due in yearly principal and interest payments of \$21,343, final payment due 7-30-12	20,455
Lease purchase for building improvements, dated 4-1-08, totaling \$24,903,000 @ 4.00%, due in varying annual principal and interest payments, final payment due 8-15-18	19,359,004

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2012

**4. GENERAL LONG-TERM DEBT – cont'd**

Capital Leases:

Lease purchase for building improvements, dated 12-1-07 totaling \$9,900,000 @ 3.75%, due in varying annual principal and interest payments, final payment due 8-15-17	\$ 5,441,262
Lease purchase of computers, dated 8-11-11 totaling \$200,000, 2.99%, due in yearly principal and interest payments of \$70,754, final payment due 8-11-14	135,225
Lease purchase of computers, dated 8-16-11 totaling \$325,315, 2.83%, due in yearly principal and interest payments of \$70,805, final payment due 8-16-16	<u>263,870</u>
Total	<u>\$ 34,610,834</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 6,113,169	1,224,072	7,337,241
2014	6,086,081	1,002,325	7,088,406
2015	5,414,212	779,009	6,193,221
2016	3,104,949	624,736	3,729,685
2017	4,085,674	537,686	4,623,360
2018-23	<u>9,806,749</u>	<u>598,464</u>	<u>10,405,213</u>
Total	<u>\$ 34,610,834</u>	<u>4,766,292</u>	<u>39,377,126</u>

Interest paid on general long-term debt during the 2011-12 fiscal year totaled \$1,213,213.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**5. EMPLOYEE RETIREMENT SYSTEM**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2011-12 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.



INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

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

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were \$2,105,354, \$2,196,118, and \$2,175,759, respectively.

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

**6. RISK MANAGEMENT**

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

The School participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

**6. RISK MANAGEMENT** – cont'd

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the

District has claims in excess of the amount in its account, it will be liable for the excess.

**7. CONTINGENCIES**

Federal Grants

This schedule shows the federal awards received and expended by the District during the 2011-12 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for non-federal entities which expend more than \$500,000 in federal awards.

Litigation

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

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Cash	<u>\$ 369,926</u>	<u>400,745</u>	<u>250,607</u>	<u>1,021,278</u>	<u>1,278,500</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 9,154	26,458	4,340	39,952	80,225
Encumbrances	<u>68,508</u>	<u>4,604</u>	<u>39,635</u>	<u>112,747</u>	<u>304,416</u>
Total liabilities	<u>77,662</u>	<u>31,062</u>	<u>43,975</u>	<u>152,699</u>	<u>384,641</u>
 Fund Equity:					
Cash fund balances	<u>292,264</u>	<u>369,683</u>	<u>206,632</u>	<u>868,579</u>	<u>893,859</u>
Total Liabilities and Fund Equity	<u>\$ 369,926</u>	<u>400,745</u>	<u>250,607</u>	<u>1,021,278</u>	<u>1,278,500</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2012**

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
				2012	2011
<b>Revenues:</b>					
Local sources	\$ 720,642	879,514	516,117	2,116,273	2,173,816
State sources		244,781	167,709	412,490	434,341
Federal sources			899,164	899,164	899,655
Interest earnings	14,176	3,410	1,854	19,440	49,567
Return on assets			6,333	6,333	855
Total revenues	<u>734,818</u>	<u>1,127,705</u>	<u>1,591,177</u>	<u>3,453,700</u>	<u>3,558,234</u>
<b>Expenditures:</b>					
Instruction	21,302	681,451		702,753	926,505
Support services	834,858	473,449		1,308,307	1,426,433
Operation of non-instructional services			1,647,565	1,647,565	1,623,805
Other uses-					
Correcting entry/Reimbursements		120	745	865	8,523
Repayments		100	2,238	2,338	25,959
Total expenditures	<u>856,160</u>	<u>1,155,120</u>	<u>1,650,548</u>	<u>3,661,828</u>	<u>4,011,225</u>
Revenues over (under) expenditures	(121,342)	(27,415)	(59,371)	(208,128)	(452,991)
<b>Other financing sources (uses):</b>					
Adjustments to prior year encumbrances	69,284	23,327	88,592	181,203	28,478
Estopped warrants	1,125	131	389	1,645	
Total other financing sources (uses)	<u>70,409</u>	<u>23,458</u>	<u>88,981</u>	<u>182,848</u>	<u>28,478</u>
Revenue and other sources over (under) expenditures and other uses	(50,933)	(3,957)	29,610	(25,280)	(424,513)
Cash fund balance, beginning of year	<u>343,197</u>	<u>373,640</u>	<u>177,022</u>	<u>893,859</u>	<u>1,318,372</u>
Cash fund balance, end of year	<u>\$ 292,264</u>	<u>369,683</u>	<u>206,632</u>	<u>868,579</u>	<u>893,859</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

	<u>BUILDING FUND</u>			<u>CO-OP FUND</u>			<u>CHILD NUTRITION FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:									
Local sources	\$ 766,738	766,738	720,642	\$ 777,660	777,660	879,514	\$ 575,489	575,489	516,117
State sources	40	40		241,770	241,770	244,781	172,748	172,748	167,709
Federal sources	40	40					885,772	885,772	899,164
Interest earnings	13,000	13,000	14,176	3,600	3,600	3,410	2,000	2,000	1,854
Return on assets									6,333
Total revenues	<u>779,818</u>	<u>779,818</u>	<u>734,818</u>	<u>1,023,030</u>	<u>1,023,030</u>	<u>1,127,705</u>	<u>1,636,009</u>	<u>1,636,009</u>	<u>1,591,177</u>
Expenditures:									
Instruction	63,104	21,343	21,302	744,576	727,904	681,451			
Support services	813,747	855,508	834,858	527,253	543,705	473,449			
Operation of non-instructional svcs.							1,663,824	1,663,824	1,647,565
Other uses:									
Correcting entry/Reimbursements					220	120	12,300	12,300	745
Repayments						100	2,300	2,300	2,238
Non-categorical	<u>115,000</u>	<u>115,000</u>							
Total expenditures	<u>991,851</u>	<u>991,851</u>	<u>856,160</u>	<u>1,271,829</u>	<u>1,271,829</u>	<u>1,155,120</u>	<u>1,678,424</u>	<u>1,678,424</u>	<u>1,650,548</u>
Revenues over (under) expenditures	(212,033)	(212,033)	(121,342)	(248,799)	(248,799)	(27,415)	(42,415)	(42,415)	(59,371)
Other financing sources (uses):									
Adjustments to prior year encumbrances			69,284			23,327			88,592
Estopped warrants			1,125			131			389
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>70,409</u>	<u>0</u>	<u>0</u>	<u>23,458</u>	<u>0</u>	<u>0</u>	<u>88,981</u>
Revenue and other sources over (under) expenditures and other uses	(212,033)	(212,033)	(50,933)	(248,799)	(248,799)	(3,957)	(42,415)	(42,415)	29,610
Cash fund balance, beginning of year	<u>343,197</u>	<u>343,197</u>	<u>343,197</u>	<u>373,640</u>	<u>373,640</u>	<u>373,640</u>	<u>177,022</u>	<u>177,022</u>	<u>177,022</u>
Cash fund balance, end of year	<u>\$ 131,164</u>	<u>131,164</u>	<u>292,264</u>	<u>\$ 124,841</u>	<u>124,841</u>	<u>369,683</u>	<u>\$ 134,607</u>	<u>134,607</u>	<u>206,632</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2012**

	Expendable Trust Fund	Agency Funds	TOTALS	
	Gifts and Endowments Fund	School Activity Funds	2012	2011
<u>ASSETS</u>				
Cash	\$ 33,461	590,820	624,281	593,454
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants outstanding	\$ 100		100	
Encumbrances	200		200	
Funds held for school organizations		590,820	590,820	557,318
Total liabilities	300	590,820	591,120	557,318
Fund Equity:				
Cash fund balances	33,161		33,161	36,136
Total Liabilities and Fund Equity	\$ 33,461	590,820	624,281	593,454

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
<b>ASSETS</b>					
Cash	\$ 557,318	1,416,443	0	1,382,941	590,820
<b>LIABILITIES</b>					
Funds held for school organizations:					
Claremore High School:					
Art	\$ 496	1,380		1,402	474
Athletics	29,359	173,254		150,482	52,131
Metro Athletic Assn.	870	4,200		2,761	2,309
Beginning Change	2,000	2,000		2,000	2,000
Cheerleaders	10,405	23,059		25,457	8,007
Freshmen Account	50	175	(50)	107	68
Sophomore Account	327	100	(276)	37	114
Junior Account	686	923	(360)	179	1,070
Senior Account	16,791	14,002	686	16,770	14,709
Baseball	5,139	17,605	(400)	17,534	4,810
Boys Basketball	3,019	8,565	(300)	10,610	674
Football	25,354	28,695		31,877	22,172
Boys Golf	409	1,010		801	618
Softball	2,946	10,129	(450)	8,892	3,733
Boys Tennis	1,418	4,924		5,111	1,231
Cross Country/Track	12,973	16,517		17,287	12,203
Wrestling	353	5,183		4,789	747
Chemistry	609	194		98	705
Fellowship of Christian Athletes	318	0		248	70
FFA	8,959	76,109		77,562	7,506
French Club	348	802		669	481
German Club	213	484		423	274
Spanish Club	72	134		0	206
Miscellaneous Activity	8,001	18,756		15,545	11,212
Recycling	78	52		0	130
Interest Account	8,082	1,920		1	10,001
Library	390	1,987		1,955	422
Electronic Entertainment/Media	301	3,291		2,536	1,056

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
<b>ASSETS</b>					
Math Club	\$ 2,765	1,919		1,362	3,322
Band	16,105	101,643		101,660	16,088
Vocal Music	1,711	15,785		16,747	749
National Honor Society	1,084	1,257		1,263	1,078
Engineering/ Robotics	0	3,094		2,545	549
Colorguard	791	5,542		5,515	818
Vending	19,370	12,168		8,828	22,710
SADD	134	528		574	88
Biomedical	3	25		0	28
Science (Mash)	403	0		1	402
Theater	2,411	2,743		3,813	1,341
Student Council	5,551	26,344		26,454	5,441
Forensics	241	9,251		8,528	964
School Newspaper	756	0		25	731
Musical Productions	7,541	9,546		10,035	7,052
FCCLA	943	1,835		2,465	313
Girls Basketball	1,135	8,143	1,150	7,856	2,572
Counselors	610	1,653		1,291	972
Graduates	768	18,674		18,980	462
9th Grade Girls Basketball	204	0		0	204
Jr. High Football/Wrestling	220	1		0	221
Girls Golf	2,135	976		1,722	1,389
Boys Soccer	7	7,627		7,586	48
Teachers Account	574	660		98	1,136
Girls Tennis	141	0		110	31
AP Exams	1,582	10,827		10,728	1,681
Young Democrats Club	151	0		0	151
Young Republicans Club	136	70		0	206
Psychology	0	26		26	0
FFA Booster Club	5,269	2,850		6,623	1,496
Gymnastics	302	0		0	302
Grants	15,838	0		8,416	7,422
Clearing Account	0	1,032		1,032	0
Native America Club	327	139		150	316
Yearbook	20,154	19,457		18,535	21,076
Credit Recovery	\$ 20,548	13,160		15,095	18,613



**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
<b>ASSETS</b>					
Academic Team	2,011	3,638		5,375	274
Girls Soccer	23	5,270		5,150	143
Volleyball	1,509	7,860		6,194	3,175
Dance Team	195	11,738		11,255	678
NJROTC-Students	9,705	14,092		11,676	12,121
NJROTC-Special	1,642	1,120		999	1,763
CHS Rocket Team	26	0		0	26
Female Fitness Club	243	1,285		1,018	510
Chess Club	200	0		0	200
FUZE (CHS Mentor Program)	1,191	1,717		2,122	786
Subtotal	<u>286,621</u>	<u>739,145</u>	<u>0</u>	<u>726,985</u>	<u>298,781</u>
Will Rogers Junior High:					
Art	436	3,947		2,970	1,413
Athletics	28,978	40,034		40,373	28,639
Cheerleaders	913	20,215		20,458	670
International Club	4,203	3,540		4,581	3,162
Miscellaneous Activity	14,439	12,934		12,354	15,019
Library	3,594	13,089		11,394	5,289
Band	10,486	67,062		74,840	2,708
Vocal Music	616	806		1,118	304
National Honor Society	206	2,098		1,238	1,066
Engineering/Robotics	4,380	238		2,089	2,529
Science (Mash)	1,256	797		334	1,719
Archery	25	3,093		896	2,222
Teachers Account	0	435		182	253
Grants	1	550		550	1
Clearing Account	0	283		283	0
Yearbook	570	10,209		8,339	2,440
Tech Ed. Student Assn.	3,646	29,921		29,855	3,712
Chess Club	617	160		213	564
Bullying Prevention	541	4,974		3,264	2,251
Subtotal	<u>74,907</u>	<u>214,385</u>	<u>0</u>	<u>215,331</u>	<u>73,961</u>
Central Upper Elementary:					
Charity	\$ 551	0		400	151

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
REGULATORY BASIS - ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
<b>ASSETS</b>					
Miscellaneous Activity	19,321	17,287		22,698	13,910
Library	3,539	13,287		12,729	4,097
Vending	293	269		0	562
Counselors	123	100		1	222
PTO	11,481	15,382		17,871	8,992
Principal's Account	136	0		0	136
Grants	5,204	9,174		11,420	2,958
Clearing Account	0	81		81	0
Subtotal	40,648	55,580	0	65,200	31,028
Roosa Elementary:					
Miscellaneous Activity	17,435	50,623		37,442	30,616
Recycling	0	110		0	110
Library	4,477	9,005		8,168	5,314
Outdoor Classroom	3,256	0		195	3,061
Vocal Music	7	0		0	7
Vending	6	0		0	6
Counselors	137	0		83	54
PTO	12,576	23,740		24,124	12,192
Grants	1,274	15,002		6,952	9,324
Clearing Account	0	270		270	0
Chess Club	3,570	4,818		3,400	4,988
Subtotal	42,738	103,568	0	80,634	65,672
Westside Elementary:					
Literacy	414	0		0	414
Charity	30	0		0	30
Miscellaneous Activity	10,008	18,747		22,205	6,550
Library	5,204	17,312		18,138	4,378
Community ED	125	0		65	60
Vocal Music	410	3,568		3,430	548
Vending	423	0		0	423
Counselors	508	0		0	508
PTO	\$ 5,438	37,022		38,295	4,165
Grants	7,793	8,698		14,887	1,604
Clearing Account	0	79		79	0

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
<b>ASSETS</b>					
Subtotal	30,353	85,426	0	97,099	18,680
Alternative Learning:					
Miscellaneous Activity	335	3,961	0	2,442	1,854
Catalayah:					
Miscellaneous Activity	0	36,681		20,545	16,136
Library	0	10,006		8,416	1,590
Vocal Music	0	3,599		2,109	1,490
PTO	0	12,224		4,507	7,717
Grants	0	11,750		9,506	2,244
Clearing Account	0	47		47	0
Subtotal	0	74,307	0	45,130	29,177
Administration:					
Miscellaneous Activity	70,623	49,779	5,000	74,201	51,201
Proj. CEEP Misc. Activity	2,111	300		1,059	1,352
Before & After School	4,494	78,437	(5,000)	61,979	15,952
Grants	1,960	2,500		1,900	2,560
Performing Arts Center	2,528	8,826		10,981	373
Central Office Staff	0	229		0	229
Subtotal	81,716	140,071	0	150,120	71,667
Total Liabilities	<u>\$ 557,318</u>	<u>1,416,443</u>	<u>0</u>	<u>1,382,941</u>	<u>590,820</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060		\$ 201,241		191,418	191,418	
Title VII-Part A, Indian Education 2010-11 - Note 1	84.060			(10,365)	10,365		
Subtotal			<u>201,241</u>	<u>(10,365)</u>	<u>201,783</u>	<u>191,418</u>	<u>0</u>
<u>Passed Through State Department of Education:</u>							
* Title I-							
Title I-Part A, Improving Basic Programs	84.010		1,060,956		382,821	1,018,152	(635,331)
Title I-Part A, Improving Basic Programs 2010-11 - Note 1	84.010			(50,670)	50,670		
Title I-Part A, Neglected	84.013		4,656		4,656	4,656	
Title I, ARRA 2010-11 - Note 1	84.389			(8,510)	8,510		
Title II-Part A (Transferability)	84.010		40,000		40,000	40,000	
Title II-Part A, Teacher & Principal Training	84.367		109,431		93,144	105,113	(11,969)
Title II-Part A 2010-11 - Note 1	84.367			(15,512)	15,512		
Title II, Part D - Technology	84.318		185		185	185	
Title II, Part D - Technology 25%	84.318		143		143	143	
Title II-Part D, Enh. Ed. Thru Tech 2010-11 - Note 1	84.318			(24)	24		
Title III-Part A English Language Acquisition	84.365		12,954		12,094	12,094	
* Special Education Programs-							
Special Education, Flowthrough, P.L. 105-17	84.027		979,743		660,444	914,684	(254,240)
Special Education, Flowthrough 2010-11 - Note 1	84.027			(56,430)	56,430		
Special Education, Early Intervening	84.027		19,250		5,202	5,202	
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		8,630		8,054	8,054	
ARRA Special Education, Flowthrough 2010-11 - Note 1	84.391			(92,870)	92,870		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		33,726		1,577	15,608	(14,031)
Special Education, Preschool 2010-11 - Note 1	84.173			(3,330)	3,330		
ARRA Special Education, Preschool 2010-11 - Note 1	84.392			(9,256)	9,256		
* Education Jobs Fund	84.410		127,151		94,941	127,151	(32,210)
Subtotal			<u>2,396,825</u>	<u>(236,602)</u>	<u>1,539,863</u>	<u>2,251,042</u>	<u>(947,781)</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		37,376		7,000	35,776	(28,776)
Carl Perkins Grant 2010-11 - Note 1	84.048			(32,336)	32,336		
Carl Perkins High Schools That Work	84.048		12,000		5,711	10,765	(5,054)
Carl Perkins HSTW 2010-11 - Note 1	84.048			(6,904)	6,904		
Carl Perkins Supplemental	84.048		50,000			41,218	(41,218)
Carl Perkins Supplemental 2010-11 - Note 1	84.048			(91,522)	91,522		
Subtotal			<u>99,376</u>	<u>(130,762)</u>	<u>143,473</u>	<u>87,759</u>	<u>(75,048)</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-01, ROGERS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
<i>U.S. Department of Agriculture:</i>							
<i>Passed Through State Department of Education:</i>							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program - Note 2	10.555				47,047	47,047	
<i>Non-Cash Assistance Subtotal</i>					<u>47,047</u>	<u>47,047</u>	
Cash Assistance:							
National School Lunch Program	10.555				674,761	731,639	(56,878)
School Breakfast Program	10.553				215,750	235,187	(19,437)
Summer Food Program	10.559				7,013	13,322	(6,309)
Summer Food Program 2010-11 - Note 1	10.559			(1,640)	1,640		
<i>Cash Assistance Subtotal</i>				<u>(1,640)</u>	<u>899,164</u>	<u>980,148</u>	<u>(82,624)</u>
<i>Total For Program (Cluster)</i>				<u>(1,640)</u>	<u>946,211</u>	<u>1,027,195</u>	<u>(82,624)</u>
<i>Other Federal Assistance:</i>							
Johnson O'Malley	15.130		42,550		20,026	38,322	(18,296)
Johnson O'Malley 2010-11 - Note 1	15.130			(13,124)	13,124		
ROTC	N/A		59,075		44,281	59,075	(14,794)
ROTC 2010-11 - Note 1	N/A			(14,742)	14,742		
Job Training - OJT	84.126		1,015		1,015	1,015	
Flood Control	12.112		2,722		2,722	2,722	
Subtotal			<u>105,362</u>	<u>(27,866)</u>	<u>95,910</u>	<u>101,134</u>	<u>(33,090)</u>
Total Federal Assistance			<u>\$ 2,802,804</u>	<u>(407,235)</u>	<u>2,927,240</u>	<u>3,658,548</u>	<u>(1,138,543)</u>

\* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$47,047 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-01, ROGERS COUNTY  
SCHEDULE OF SURETY BONDS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Treasurer	61084518	\$500,000	7/1/11-7/1/12
	Assistant Treasurer	61084518	500,000	7/1/11-7/1/12
	Superintendent	61084518	100,000	7/1/11-7/1/12
	Minutes Clerk	61084518	25,000	7/1/11-7/1/12
	Encumbrance Clerk	61084518	25,000	7/1/11-7/1/12
	Activity Fund Custodian	61084518	25,000	7/1/11-7/1/12

INDEPENDENT SCHOOL DISTRICT NO. I-1, ROGERS COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma            )  
  ) ss  
County of Tulsa             )

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Claremore Public Schools for the audit year 2011-12.

Sanders, Bledsoe & Hewett,  
Certified Public Accountants, LLP  
Auditing Firm

By \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me  
This 24<sup>th</sup> day of December, 2012

\_\_\_\_\_  
Notary Public (or Clerk or Judge)

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

December 24, 2012

Mr. J. Michael McClaren, Supt.  
Claremore Public Schools  
310 North Weenonah Avenue  
Claremore, Oklahoma 74017-7007

Dear Mr. McClaren:

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

**The following section contains the exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are not included, but which are referred to, in the audit report.**

#### Employee Theft

During our interim audit work in May 2012, it was discovered, through inquiry and conversations with District personnel, that the business manager was suspected of falsifying school district checks intended for legitimate vendors and instead making these checks payable to her. Upon further investigation, it was discovered that the accusations were correct.

From March 2011 to November 2012, it appears that the business manager/treasurer, Patti Beavers, altered several school district checks issued in order to make them payable to her. The total amount stolen from the school district was in excess of \$41,000. The amount taken is not considered material to the District's financial statements. However, due to the position of the employee and due to the fact that fraud was committed, we felt it necessary to include this instance in a letter to management.



Employee Theft – cont'd

Because this employee was in a position of authority, she was able to circumvent many of the controls the school district had in place to prevent fraud, and go undiscovered for several months. It is also important to note that it was the practice of proper segregation of duties that helped another school district employee discover this fraud.

School District Response – Upon being informed of this issue, the school district confronted the employee regarding the findings. She admitted guilt, and was relieved of all duties and responsibilities immediately. Local law enforcement was subsequently contacted and provided with all supporting documentation regarding this fraud.

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

Sincerely,

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP