

REPORT OF AUDIT
CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

OFFICERS

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JOHN WEAVER	SUPERINTENDENT

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Cleveland District #1-6
Pawnee County, Oklahoma

I have audited the accompanying fund type and account group financial statements of Cleveland School District #1-6, Pawnee 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As described 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.

In my 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 Cleveland School District #1-6, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

In my 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, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Cleveland School District #1-6, as of June 30, 2012, and the revenues collected and expenditures paid/expenses, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements, schedules, and schedule of expenditures of federal awards, as listed in the Table of Contents under the other supplementary information, are presented for purposes of additional analysis, and are not a required part of the basic financial statements of the District. Also, the accompanying schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Such 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 my opinion, is fairly presented 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.

In accordance with Government Auditing Standards, I have also issued a report dated February 4, 2013 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion. 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 my audit.

Sincerely,

A handwritten signature in cursive script that reads "Chas. W. Carroll, P.A.".

Chas. W. Carroll, P.A.
February 4, 2013

Cleveland School District No.1-006, Pawnee County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2012

EXHIBIT A

ASSETS	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
Cash and Cash Equivalents	\$ 2,518,886	\$ 531,675	\$ 50,130	\$ 2,600,000	\$ 224,300	\$ 0	\$ 5,924,991	
Investments	0	0	0	0	0	0	0	
Amounts Available in Debt Service Fund	0	0	0	0	0	50,130	50,130	
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	2,549,870	2,549,870	
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	0	0	
Total Assets	\$ 2,518,886	\$ 531,675	\$ 50,130	\$ 2,600,000	\$ 224,300	\$ 2,600,000	\$ 8,524,991	

LIABILITIES AND FUND BALANCE

Liabilities:							
Warrants/Checks Payable	\$ 166,907	\$ 15,093	\$ 0	\$ 0	\$ 8,514	\$ 0	\$ 190,514
Reserve for Encumbrances	31,155	44,638	0	0	0	0	75,793
Due to Activity Groups	0	0	0	0	215,786	0	215,786
General Obligation Bonds Payable	0	0	0	0	0	2,600,000	2,600,000
Capitalized Lease Obligations Payable	0	0	0	0	0	0	0
Total Liabilities	\$ 198,062	\$ 59,730	\$ 0	\$ 0	\$ 224,300	\$ 2,600,000	\$ 3,082,092
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 50,130	\$ 0	\$ 0	\$ 0	\$ 50,130
Reserved for Capital Projects	0	0	0	2,600,000	0	0	2,600,000
Cash Fund Balance	2,320,824	471,944	0	0	0	0	2,792,769
Total Fund Equity	\$ 2,320,824	\$ 471,944	\$ 50,130	\$ 2,600,000	\$ 0	\$ 0	\$ 5,442,899
Total Liabilities and Fund Equity	\$ 2,518,886	\$ 531,675	\$ 50,130	\$ 2,600,000	\$ 224,300	\$ 2,600,000	\$ 8,524,991

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

Cleveland School District No.1-006, Pawnee County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2012

EXHIBIT B

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012
Revenue Collected:					
Local Sources	\$ 1,447,662	\$ 454,415	\$ 934,320	\$ 0	\$ 2,836,397
Intermediate Sources	196,027	480	2,370	0	198,878
State Sources	8,118,030	69,358	0	0	8,187,389
Federal Sources	975,892	555,616	0	0	1,531,508
Non-Revenue Receipts	1,932	0	0	0	1,932
<i>Total Revenue Collected</i>	<u>\$ 10,739,543</u>	<u>\$ 1,079,870</u>	<u>\$ 936,691</u>	<u>\$ 0</u>	<u>\$ 12,756,104</u>
Expenditures Paid:					
Instruction	\$ 6,596,581	\$ 0	\$ 0	\$ 0	\$ 6,596,581
Support Services	3,776,693	31,853	0	0	3,808,547
Operation of Non-Instructional Services	0	913,759	0	0	913,759
Facilities Acquisition and Construction	3,620	195,297	0	0	198,916
Other Outlays	1,932	0	0	0	1,932
Other Uses	0	0	0	0	0
Repayments	25,738	439	0	0	26,177
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	900,000	0	900,000
Interest and Fiscal Agent Fees	0	0	25,200	0	25,200
<i>Total Expenditures Paid</i>	<u>\$ 10,404,565</u>	<u>\$ 1,141,348</u>	<u>\$ 925,200</u>	<u>\$ 0</u>	<u>\$ 12,471,113</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 334,978</u>	<u>\$ (61,478)</u>	<u>\$ 11,491</u>	<u>\$ 0</u>	<u>\$ 284,991</u>
Adjustments to Prior Year Encumbrances	<u>\$ 23,430</u>	<u>\$ 2,762</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,192</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 57	\$ 113	\$ 0	\$ 0	\$ 170
Bond Proceeds	0	0	0	2,600,000	2,600,000
Transfers In	0	375	0	0	375
Transfers Out	0	(375)	0	0	(375)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 57</u>	<u>\$ 113</u>	<u>\$ 0</u>	<u>\$ 2,600,000</u>	<u>\$ 2,600,170</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 358,465</u>	<u>\$ (58,603)</u>	<u>\$ 11,491</u>	<u>\$ 2,600,000</u>	<u>\$ 2,911,353</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,962,360</u>	<u>530,547</u>	<u>38,639</u>	<u>0</u>	<u>2,531,546</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 2,320,824</u></u>	<u><u>\$ 471,944</u></u>	<u><u>\$ 50,130</u></u>	<u><u>\$ 2,600,000</u></u>	<u><u>\$ 5,442,899</u></u>

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

Cleveland School District No.1-006, Pawnee County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2012

EXHIBIT C

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 1,248,361	\$ 1,248,361	\$ 1,447,662	\$ 334,385	\$ 334,385	\$ 454,415	\$ 886,561	\$ 886,561	\$ 936,691
Intermediate Sources	158,283	158,283	196,027	0	0	480	0	0	0
State Sources	7,787,237	7,787,237	8,118,030	67,638	67,638	69,358	0	0	0
Federal Sources	804,143	804,143	975,892	472,067	472,067	555,616	0	0	0
Non-Revenue Receipts	0	0	1,932	0	0	0	0	0	0
Total Revenue Collected	\$ 9,998,024	\$ 9,998,024	\$ 10,739,543	\$ 874,090	\$ 874,090	\$ 1,079,870	\$ 886,561	\$ 886,561	\$ 936,691
Expenditures Paid:									
Instruction	\$ 11,960,383	\$ 11,960,383	\$ 6,596,581	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	3,776,693	359,338	359,338	31,853	0	0	0
Operation of Non-Instructional Services	0	0	0	1,045,637	1,045,637	913,759	0	0	0
Facilities Acquisition and Construction	0	0	3,620	0	0	195,297	0	0	0
Other Outlays	0	0	1,932	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	25,738	0	0	439	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 11,960,383	\$ 11,960,383	\$ 10,404,565	\$ 1,404,975	\$ 1,404,975	\$ 1,141,348	\$ 925,200	\$ 925,200	\$ 925,200
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (1,962,360)	\$ (1,962,360)	\$ 334,978	\$ (530,885)	\$ (530,885)	\$ (61,478)	\$ (38,639)	\$ (38,639)	\$ 11,491
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 23,430	\$ 0	\$ 0	\$ 2,762	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 57	\$ 0	\$ 0	\$ 113	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	338	338	375	0	0	0
Transfers Out	0	0	0	0	0	(375)	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 57	\$ 338	\$ 338	\$ 113	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (1,962,360)	\$ (1,962,360)	\$ 358,465	\$ (530,547)	\$ (530,547)	\$ (58,603)	\$ (38,639)	\$ (38,639)	\$ 11,491
Fund Balance - Beginning of Year	1,962,360	1,962,360	1,962,360	530,547	530,547	530,547	38,639	38,639	38,639
Fund Balance - End of Year	\$ (0)	\$ (0)	\$ 2,320,824	\$ 0	\$ 0	\$ 471,944	\$ (0)	\$ (0)	\$ 50,130

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

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Cleveland School District #1-6 have been prepared in conformity with an other comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

B. Fund Accounting

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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

B. Fund Accounting (continued)

Fund Description

The following funds are utilized by the Cleveland School District #1-6.

Governmental Fund Types -	Fiduciary Fund Types –
General Fund	Trust and Agency Fund
Special Revenue Funds	
Debt Service Fund	
Capital Project Fund	

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 ear-marked 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 which includes the Child Nutrition Program.

Special Revenue Funds – The Special Revenue Funds are the District's Building Fund and Child Nutrition Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with the daily operations of the District's nutrition program.

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

Capital Project Funds – The Capital Project Fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing, and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a 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 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 operations.

Agency Fund – The Agency Fund is the school Activity Fund which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

Memorandum Only – Total Column

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

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education (OSDE). 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 as follows:

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

C. Basis of Accounting and Presentation (continued)

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

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the 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 the General Fund, Special Revenue Funds, and Debt Service 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.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

E. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

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

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The District has elected not to present a liability for compensated absences.

Operating Leases

The District has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the District does not consider the obligation to be for a period extending beyond the current fiscal year.

Long Term Debt

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

General Long-Term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

- a.) A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2012 is set forth below:

\$2,600,000.00 Building Bonds of 2012

Payment Date	Principal	Rate	Interest	Total
1 May 13	\$ 0.00		\$ 17,550.00	\$ 17,055.00
1 Nov 13	0.00		8,775.00	8,775.00
1 May 14	1,300,000.00	8.00%	8,775.00	8,775.00
1 Nov 14	0.00		3,575.00	3,575.00
1 May 15	<u>1,300,000.00</u>	5.50%	<u>3,575.00</u>	<u>86,763.75</u>
	\$2,600,000.00		\$ 42,250.00	\$2,642,250.00

- b.) The Authority and the District have entered into a fully paid ground lease dated July 1, 2004 (the "Ground Lease"), whereby the District has leased to the Authority certain real property together with all improvements thereon and to be placed thereon for a term extending to September 1, 2015 and so long thereafter as any indebtedness of the Authority secured by its leasehold therein remains outstanding and unpaid. The Authority has sub-leased the property covered by the Ground Lease to the District by a sub-lease dated July 1, 2004 (the "Sublease") which extends to June 30, 2005, and is renewable for successive on (1) year terms thereafter at the option of the District until the Series 2004 Bonds are paid. Failure to renew the Sublease will terminate the Sublease and all further options of the District to renew it.

General Long-Term Debt (continued)

The voters of the District have approved the issuance of General Obligation Bonds for acquiring school furniture, fixtures and equipment in the total amount of \$9,085,000.00. Those School District General Obligation Bonds will be issued in series over the life of the Authority's Series 2004 Bonds in amounts necessary to pay the maturing principal of the Authority's Series 2004 Bonds and will be utilized for that purpose by payment of the proceeds thereof as received to the Trustee Bank as rentals under the Sublease.

Upon the payment in full of the Series 2004 Bonds, the Sublease and the Ground Lease both will expire and possession of and title to the Improvements will be vested in the District.

A repayment schedule of the outstanding capital lease obligations at June 30, 2012 is set forth below:

Schedule of Semi-Annual Rent Payment

Payment Date	Regular Payment	Irregular Payments	Total Rent Due
1 Sep 12	\$ 65,000.00	\$2,600,000.00	\$2,665,000.00
1 Mar 13	65,000.00	0.00	65,000.00
1 Sep 13	65,000.00	0.00	65,000.00
1 Mar 14	65,000.00	0.00	65,000.00
1 Sep 14	65,000.00	215,000.00	280,000.00
1 Mar 15	65,000.00	0.00	65,000.00
1 Sep 15	<u>65,000.00</u>	<u>2,500,000.00</u>	<u>2,565,000.00</u>
	\$ 455,000.00	\$5,315,000.00	\$5,770,000.00

Cash Fund Balance

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

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by the United States Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The District Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>BANK BALANCE</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	
Cash/Investments	\$ <u>474,299.53</u>	\$ <u>5,450,694.21</u>	\$ <u>0.00</u>	\$ <u>5,924,990.74</u>

State Revenues

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue 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 program. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

The District is authorized by state law to levy property taxes which consists of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the taxes are due prior to January 1. The second half is due prior to April 1.

F. Revenue, Expenses and Expenditures

Property Tax Revenue

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

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Government Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

The District's Commercial Liability Insurance agreements cover claims against municipalities for all government functions and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating District pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

Kathleen A. Kindell, District Treasurer/Minutes Clerk, is bonded with the Western Surety Company, in the amount of \$50,000.00. The bond number is 68353806, dated July 1, 2011 to July 1, 2012.

John Weaver, Superintendent, is bonded with the Western Surety Company, in the amount of \$100,000.00. The bond number is 70750136, dated July 1, 2011 to June 30, 2012.

3. Employee Retirement System (continued)

The 2011-12 contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2012. An additional 7% of compensation is required for federal grants. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating member is 7% up to a maximum compensation level.

The total contributions for employees of Cleveland School District #1-6 covered by the System for the year 2012, 2011 and 2010 were \$1,055,901.53, \$1,073,857.00 and \$1,103,595.48, respectively.

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 the 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 non-funded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

Total pension obligation	\$ 17,560,754,452
Net assets available for benefits, at cost	<u>9,960,576,151</u>
Non-funded pension benefit obligation	<u>\$ 7,600,178,301</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

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.

5. Subsequent Events

Management has evaluated subsequent events through February 4, 2013, which is the date the financial statements were available to be issued.

Cleveland School District No.1-006, Pawnee County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2012

SCHEDULE A-1

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 199,581	\$ 332,093	\$ 531,675
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 199,581</u>	<u>\$ 332,093</u>	<u>\$ 531,675</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 897	\$ 14,195	\$ 15,093
Reserve for Encumbrances	<u>41,890</u>	<u>2,748</u>	<u>44,638</u>
<i>Total Liabilities</i>	<u>\$ 42,787</u>	<u>\$ 16,943</u>	<u>\$ 59,730</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 156,795</u>	<u>\$ 315,150</u>	<u>\$ 471,944</u>
<i>Total Fund Balance</i>	<u>\$ 156,795</u>	<u>\$ 315,150</u>	<u>\$ 471,944</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 199,581</u>	<u>\$ 332,093</u>	<u>\$ 531,675</u>

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

Cleveland School District No.1-006, Pawnee County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2012

SCHEDULE B-1

	Building Fund	Child Nutrition Fund	Total June 30, 2012
Revenue Collected:			
Local Sources	\$ 200,055	\$ 254,360	\$ 454,415
Intermediate Sources	480	0	480
State Sources	0	69,358	69,358
Federal Sources	0	555,616	555,616
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	\$ 200,535	\$ 879,334	\$ 1,079,870
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	31,853	0	31,853
Operation of Non-Instructional Services	0	913,759	913,759
Facilities Acquisition and Construction	195,297	0	195,297
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	439	439
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	\$ 227,150	\$ 914,198	\$ 1,141,348
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (26,615)	\$ (34,864)	\$ (61,478)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 2,762	\$ 2,762
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 113	\$ 113
Transfers In	0	375	375
Transfers Out	0	(375)	(375)
<i>Total Other Financing Sources (Uses)</i>	\$ 0	\$ 113	\$ 113
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (26,615)	\$ (31,988)	\$ (58,603)
<i>Fund Balance - Beginning of Year</i>	183,409	347,138	530,547
<i>Fund Balance - End of Year</i>	\$ 156,795	\$ 315,150	\$ 471,944

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

Cleveland School District No.1-006, Pawnee County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Budget and Actual
 For the Year Ending June 30, 2012

SCHEDULE C-1

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 175,929	\$ 175,929	\$ 200,055	\$ 158,456	\$ 158,456	\$ 254,360	\$ 334,385	\$ 334,385	\$ 454,415
Intermediate Sources	0	0	480	0	0	0	0	0	480
State Sources	0	0	0	67,638	67,638	69,358	67,638	67,638	69,358
Federal Sources	0	0	0	472,067	472,067	555,616	472,067	472,067	555,616
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
Total Revenue Collected	\$ 175,929	\$ 175,929	\$ 200,535	\$ 698,162	\$ 698,162	\$ 879,334	\$ 874,090	\$ 874,090	\$ 1,079,870
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	359,338	359,338	31,853	0	0	0	359,338	359,338	31,853
Operation of Non-Instructional Services	0	0	0	1,045,637	1,045,637	913,759	1,045,637	1,045,637	913,759
Facilities Acquisition and Construction	0	0	195,297	0	0	0	0	0	195,297
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	439	0	0	439
Total Expenditures Paid	\$ 359,338	\$ 359,338	\$ 227,150	\$ 1,045,637	\$ 1,045,637	\$ 914,198	\$ 1,404,975	\$ 1,404,975	\$ 1,141,348
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (183,409)	\$ (183,409)	\$ (26,615)	\$ (347,476)	\$ (347,476)	\$ (34,864)	\$ (530,885)	\$ (530,885)	\$ (61,478)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,762	\$ 0	\$ 0	\$ 2,762
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113	\$ 0	\$ 0	\$ 113
Transfers In	0	0	0	338	338	375	338	338	375
Transfers Out	0	0	0	0	0	(375)	0	0	(375)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 338	\$ 338	\$ 113	\$ 338	\$ 338	\$ 113
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (183,409)	\$ (183,409)	\$ (26,615)	\$ (347,138)	\$ (347,138)	\$ (31,988)	\$ (530,547)	\$ (530,547)	\$ (58,603)
Fund Balance - Beginning of Year	183,409	183,409	183,409	347,138	347,138	347,138	530,547	530,547	530,547
Fund Balance - End of Year	\$ 0	\$ 0	\$ 156,795	\$ 0	\$ 0	\$ 315,150	\$ 0	\$ 0	\$ 471,944

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

CLEVELAND SCHOOL DISTRICT #I-6
 PAWNEE COUNTY - OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/11 TO 06/30/12

SCHEDULE 1-00

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2011	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2012
<u>U.S. Department of Education -</u>						
<u>Direct Programs</u>						
84.041	591	\$30,667.00	\$0.00	\$30,667.00	\$30,667.00	\$0.00
<u>State Department of Education -</u>						
Title I, Part A/3-Month Money						
84.010	511/512	395,443.52	977.34	378,171.13	378,232.34	1,038.55
84.367	541	101,601.56	30,603.55	96,558.27	89,613.45	23,658.73
84.318	546/548	0.00	1,880.26	1,880.26	0.00	0.00
84.186	551	0.00	4,808.37	4,808.37	0.00	0.00
IDEA-B Flow Through/Early Intervening						
84.027	621/623	378,906.79	0.00	378,906.79	378,906.79	0.00
84.173	641	7,844.02	0.00	7,844.02	7,844.02	0.00
Special Education Cluster						
<u>State Department of Career</u>						
<u>And Technology -</u>						
84.048	421	18,646.00	0.00	18,646.00	18,646.00	0.00
84.126	456	11,597.75	0.00	11,597.75	11,917.21	0.00
<u>Oklahoma Health Care Authority -</u>						
Medicaid Resources						
93.778	698	46,588.61	0.00	46,588.61	52,999.58	0.00
<u>Other Federal Assistance -</u>						
Flood Control						
12.112	770	223.61	0.00	223.61	223.61	0.00

CONTINUED ON PAGE 2

CLEVELAND SCHOOL DISTRICT #1-6
 PAWNEE COUNTY - OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/11 TO 06/30/12

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2011	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2012
<u>U.S. Department of Agriculture -</u>							
Child Nutrition Cluster:							
National School Lunch Program	10.555	763	419,930.90	0.00	419,930.90	419,930.90	0.00
School Breakfast Program	10.553	764	135,685.05	0.00	135,685.05	135,685.05	0.00
Total Cash Assistance				0.00	555,615.95	555,615.95	0.00
Commodity Distribution (Non-Cash)	10.550	N/A	45,870.04	0.00	45,870.04	45,870.04	0.00
Total Child Nutrition Program				0.00	601,485.99	601,485.99	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$38,269.52	\$1,577,377.80	\$1,570,535.99	\$24,697.28

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 3: The amount expended represents the value of the food commodities received.

CLEVELAND SCHOOL DISTRICT #1-6
 PAWNEE COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 REVENUES, EXPENDITURES, AND BALANCES
 07/01/11 TO 06/30/12

SCHEDULE 2-00

<u>ACCOUNT</u>	<u>07/01/11</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/12</u>
GENERAL	\$70,043.87	\$54,857.73	\$0.00	(\$109.79)	\$54,312.97	\$70,478.84
TEACHERS	5,196.62	6,593.93			4,448.64	7,341.91
BAND	9,379.20	47,666.41			45,626.18	11,418.43
ART	2,077.64	0.00			1,064.09	1,013.55
STUDENT COUNCIL	3,829.24	13,897.29			13,360.22	4,366.31
CHEERLEADERS	3,325.67	29,835.53	74.72		28,744.62	4,491.30
LIBRARY	18,879.23	28,488.95	12.99	210.05	22,384.38	25,206.84
CHORUS	2,868.30	7,550.00			8,916.70	1,501.60
BPA	765.12	630.00			918.35	476.77
ATHLETICS	25,374.13	128,277.07			122,366.55	31,284.65
MS BOOK CLUB	100.26	0.00		(100.26)	0.00	0.00
FCCLA	1,918.12	6,383.75			6,362.15	1,939.72
ALTER. ED	796.62	0.00			218.73	577.89
SPECIAL ED	511.17	1,973.38			2,017.07	467.48
HOSA	1.17	210.00			210.00	1.17
JSA	41.00	0.00			0.00	41.00
SPEECH	226.10	0.00			0.00	226.10
ART CLUB	1,523.38	2,310.00			2,314.15	1,519.23
NATIONAL HONOR SOCIETY	1,094.18	1,462.11			1,773.73	782.56
ANNUAL	14,597.60	25,533.04			25,974.99	14,155.65
TIGER'S TALE	339.94	7,745.00			7,487.86	597.08
MATH CLUB	227.66	0.00			0.00	227.66
LIBRARY REFUND	0.00	496.20			496.20	0.00
FRESHMAN CHEERLEADER	2,082.05	3,177.74	50.00		5,128.84	180.95
FCA	10.54	0.00			0.00	10.54
FFA	1,108.49	93,245.07	20.00		88,730.10	5,643.46
FOREIGN LANGUAGE	370.07	674.00			668.33	375.74
BOARD OF EDUCATION	325.68	1,608.06			1,208.34	725.40
CLASS OF 2011	86.27	0.00			0.00	86.27
CLASS OF 2012	1,334.81	2,601.75			3,685.83	250.73

CONTINUED ON PAGE 2

CLEVELAND SCHOOL DISTRICT #1-6
 PAWNEE COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 REVENUES, EXPENDITURES, AND BALANCES
 07/01/11 TO 06/30/12

SCHEDULE 2-00
 PAGE 2

<u>ACCOUNT</u>	<u>07/01/11</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/12</u>
CLASS OF 2013	623.00	8,904.65	0.00	0.00	7,997.65	1,530.00
CLASS OF 2014	231.30	1,941.50			1,164.90	1,007.90
CLASS OF 2015	0.00	607.00			457.00	150.00
VOLLEYBALL FUNDRAISER	0.00	1,451.16			1,451.16	0.00
ATH. FUND SOFTBALL	237.31	7,000.00			5,691.09	1,546.22
ATH. FUND FOOTBALL	204.60	10,762.05			9,160.78	1,805.87
ATH. FUND BASKETBALL (GIRLS)	1,621.55	18,365.52			17,355.90	2,631.17
ATH. FUND BASKETBALL (BOYS)	369.44	7,955.50			7,918.86	406.08
ATH. FUND WRESTLING	26.28	1,468.40			1,468.40	26.28
ATH. FUND BASEBALL	59.28	14,683.30			14,593.30	149.28
ATH. FUND TRACK	330.77	0.00			0.00	330.77
ATH. FUND TENNIS	30.29	1,003.00			633.00	400.29
ATH. FUND GOLF	174.66	1,404.00			1,534.50	44.16
ATHLETIC SURPLUS	3,091.46	17,364.49			9,523.67	10,932.28
ADMIN. FUND (ATH.)	8,766.35	12,801.00			15,337.17	6,230.18
WRESTLING CHEERLEADER	615.68	2,015.00			1,490.48	1,140.20
BASKETBALL CHEERLEADER	624.23	4,813.00			4,591.06	846.17
ECC	1,240.31	3,376.65			3,397.11	1,219.85
TOTALS	\$186,680.64	\$581,132.23	\$157.71	\$0.00	\$552,185.05	\$215,785.53

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

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
RECONCILIATION STATEMENT
07/01/11 TO 06/30/12

SCHEDULE 2-01

<u>DEPOSITORY</u>	<u>DETAIL</u>	<u>TOTALS</u>
CASH	<u>224,299.53</u>	
TOTAL DEPOSITORY		<u>\$224,299.53</u>
 <u>FUND</u>		
LEDGER BALANCE	215,785.53	
ADD: 2011-12 OUTSTANDING	<u>8,514.00</u>	
TOTAL DEPOSITORY		<u>\$224,299.53</u>

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

CLEVELAND SCHOOL DISTRICT #1-6
 PAWNEE COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 CASH STATEMENT
 07/01/11 TO 06/30/12

SCHEDULE 2-02

	<u>TOTAL</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>PRIOR</u>	<u>INVESTMENTS</u>
BEGINNING CASH AND INVESTMENTS	\$191,263.87	\$186,680.64	\$4,583.23	\$0.00	\$0.00	\$0.00
<u>REVENUES</u>						
DEPOSITS	580,042.69	580,042.69				
INTEREST	1,089.54	1,089.54				
REDEPOSITS	2,183.18	2,183.18				
CHECKS STOPPED	0.00	157.71	(157.71)			
TOTAL REVENUES	583,315.41	583,473.12	(157.71)	0.00	0.00	0.00
<u>EXPENDITURES</u>						
CHECKS PAID	547,559.60	543,134.08	4,425.52			
RETURNED CHECKS/FEEES	2,695.15	2,695.15				
BANK FEES	25.00	25.00				
TOTAL EXPENDITURES	550,279.75	545,854.23	4,425.52	0.00	0.00	0.00
ENDING BALANCES	\$224,299.53	\$224,299.53	\$0.00	\$0.00	\$0.00	\$0.00

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

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 TO JUNE 30, 2012

SCHEDULE 3-00

STATE OF OKLAHOMA)
)
COUNTY OF GARFIELD)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in Full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Cleveland School District #1-6, Pawnee County, Oklahoma, for the audit year 2011-12.

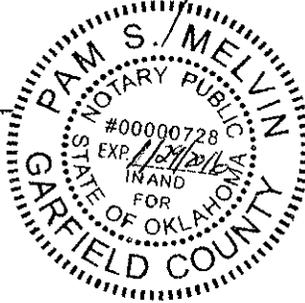
Chas. W. Carroll, P.A.
Auditing Firm

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 11th day of February, 2013.

Pam S. Melvin
Notary Public

My Commission expires January 29, 2016



Chas. W. Carroll, P.A.

The Broadway Tower – Suite 805
114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

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

The Honorable Board of Education
Cleveland School District #1-6
Pawnee County, Oklahoma

I have audited the accompanying fund type and account group financial statements of the Cleveland School District #1-6, Pawnee County, Oklahoma, as listed in the Table of Contents as combined financial statements as of and for the year ended June 30, 2012, and have issued my report thereon dated February 4, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to general fixed assets. I conducted my 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I 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 deficiency, or a combination of deficiencies, in internal control such that there reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Sincerely,



Chas. W. Carroll, P.A.
February 4, 2013

Chas. W. Carroll, P.A.

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114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Board of Education
Cleveland School District #1-6
Pawnee County, Oklahoma

Compliance

I have audited the compliance of Cleveland School District #1-6, Pawnee County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its 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. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Cleveland School District #1-6 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB-Circular A-133.

Internal Control Over Compliance

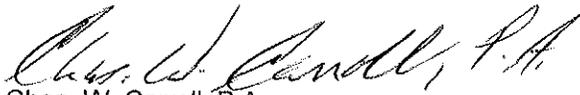
The management of the District is responsible for establishing and maintaining an effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I 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 federal awarding agencies and pass-through entities, school administration, others within the organization, and the School Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Chas. W. Carroll, P.A.
February 4, 2013

CLEVELAND ISD NO. 6, PAWNEE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---|
| 1. Type of auditor's report issued | Adverse
(Due to F/S being prepared on a regulatory basis of accounting.) |
| 2. Internal Control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be a material weakness? | None reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(A)? | No |
| 4. Identification of major programs: | |
| <u>Name of Federal Program</u> | |
| Title I | |
| Child Nutrition | |
| 5. Dollar Threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB A-133, Section 530? | No |

SECTION 2

Financial Statement Findings:

None

Major Federal Award Programs Findings and Questioned Costs:

None Reported

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2012

No matters were reported.

CLEVELAND SCHOOL DISTRICT #1-6
PAWNEE COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".