

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS  
June 30, 2012**

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**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

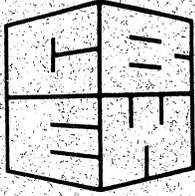
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CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma

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**CBEW**  
**Professional**  
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## INDEPENDENT AUDITOR'S REPORT

August 7, 2012

The Honorable Board of Education  
Cushing School District Number I-67  
Cushing, Payne County, Oklahoma

We have audited the accompanying basic financial statements—regulatory basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Cushing School District Number I-67, Payne County, Oklahoma (District), as of and for the year then ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

As discussed in Note 1, these basic financial statements are prepared on a basis of accounting prescribed by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the basic 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, each major fund, and the aggregate remaining fund information of the Cushing School District Number I-67, Payne County, Oklahoma as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position—regulatory basis of the governmental activities, each major fund and the aggregate remaining fund information of the Cushing School District Number I-67, Payne County, Oklahoma, as of June 30, 2012, and the respective changes in financial position—regulatory basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Cushing School District Number I-67  
August 7, 2012

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the notes listed in the table of contents as required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for 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 basic financial statements. The combining and individual non-major governmental fund statements and other schedules listed as supplemental information in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. The combining and individual non-major governmental fund statements and other schedules listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CBEW Professional Group, LLP*

CBEW PROFESSIONAL GROUP, LLP  
Certified Public Accountants

# *Cushing Public Schools*

KOLN KNIGHT, SUPERINTENDENT  
1401 NORTH LITTLE  
CUSHING, OKLAHOMA 74023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

As management of the Cushing School District Number I-67 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

The total net assets of the District increased \$254,917 or .92% over the fiscal year.

General revenues accounted for \$13,054,067 or 88.44% of total governmental activities revenue. Program specific revenues accounted for \$1,706,378 or 11.56% of total governmental activities revenue.

Governmental activities capital assets decreased by a net of \$366,253, primarily due to purchasing land and 2 vehicles and depreciation.

The District had \$14,505,528 in expenses related to governmental activities; \$1,706,378 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by property tax levies, state and county sources, and other miscellaneous sources.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The government-wide financial statements can be found on pages 8–9 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories – governmental funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Building funds, all of which are considered to be major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General, Special Revenue (Building, CO-OP and Child Nutrition Funds) and Debt Service Funds. Budgetary comparison schedules have been provided for the major funds to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 10–13 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on pages 14-15 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 16–28 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparisons and notes. Required supplementary information can be found on pages 29–34 of this report.

**Other Information** – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 35-36 of this report.

### **Governmental-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (excluding accumulated depreciation) exceed liabilities by \$27,959,977 as of June 30, 2012.

The largest portion of the District's net assets (90.79%) reflects its investments in capital assets (e.g., land, buildings and improvements, furniture, fixtures and equipment, and vehicles), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide service to students; consequently these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**District's Net Assets**

	<u>Governmental Activities</u>	
	<u>6/30/2012</u>	<u>6/30/2011</u>
Current and other assets	\$ 4,220,496	\$ 4,664,690
Capital assets	<u>26,504,743</u>	<u>26,870,996</u>
Total assets	<u>30,725,239</u>	<u>31,535,686</u>
Long-term liabilities	1,120,000	2,045,000
Other liabilities	<u>1,645,262</u>	<u>1,785,626</u>
Total liabilities	<u>2,765,262</u>	<u>3,830,626</u>
Net assets:		
Invested in capital assets, net of related debt	25,384,743	24,825,996
Restricted	1,312,638	448,130
Unrestricted	<u>1,262,596</u>	<u>2,430,934</u>
Total net assets	<u>\$ 27,959,977</u>	<u>\$ 27,705,060</u>

An additional portion of the District's net assets (4.7%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$1,262,596 may be used to meet the government's ongoing obligation to citizens and creditors.

As of June 30, 2012, the District is able to report positive balances in all three categories of net assets for the government as a whole.

**Analysis of the District's Operations** – The following table provides a summary of the District's operations for the year ended June 30, 2012 with comparative totals for the year ended June 30, 2011. Governmental activities increased the District's total net assets by \$254,917.

## District's Changes in Net Assets

	Governmental Activities	
	6/30/2012	6/30/2011
Revenues:		
Program revenues		
Charges for services	\$ 330,863	\$ 456,277
Operating grants and contributions	1,375,515	1,974,567
General revenues:		
Property taxes	7,788,395	6,704,080
State and county aid not restricted to specific programs	5,079,367	6,111,675
Earnings on investments	7,149	15,525
Rental activities	48,790	46,290
Sale of property	-	-
Miscellaneous	116,903	128,999
Special items:		
Adjustment to prior year encumbrances	13,463	1,897
Total revenues	<u>14,760,445</u>	<u>15,439,310</u>
Expenses:		
Instructional services	7,512,622	7,366,163
Support services	4,509,254	6,077,417
Non-instructional services	855,997	61,755
Repayments	80,266	107,245
Food service	734,941	675,405
Interest and fiscal agent charges	47,448	72,848
Unallocated depreciation	765,000	757,369
Total expenses	<u>14,505,528</u>	<u>15,118,202</u>
Increase in net assets	254,917	321,108
Net assets - beginning of year	27,705,060	27,383,952
Net assets - end of year	<u>\$ 27,959,977</u>	<u>\$ 27,705,060</u>

## Financial Analysis of the Governments Funds

**Governmental funds** – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,959,977. Approximately 95.31% of the total amount (\$26,647,339) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that is not available for new spending because it has already been committed 1) to pay for debt service (\$265,832), 2) to pay for OTAC (283,941), 3) to pay for Building (549,057) and 4) to pay for child nutrition (213,808).

## Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$52,040,990 (excluding accumulated depreciation). This investment in capital assets includes land, building and improvements, furniture, fixtures and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

Land and two vehicles.

## Capital Assets at Year-end Excluding Accumulated Depreciation

	Governmental Activities	
	6/30/2012	6/30/2011
Land	\$ 983,215	\$ 659,468
Buildings and improvements	40,901,329	40,901,329
Furniture, fixtures and equipment	7,667,107	7,667,107
Vehicles	2,489,339	2,414,339
Total	<u>\$ 52,040,990</u>	<u>\$ 51,642,243</u>

Additional information on the District's capital assets can be found in note 2 on page 25 of this report.

## Debt Administration

At the end of the current fiscal year, the District had a total of general obligation bonds payable of \$1,045,000, which are backed by the future revenues of the Debt Service Fund and lease debt of \$75,000.

## Outstanding Debt at Year-end – General Obligation Bonds and Lease Payable

	Governmental Activities	
	6/30/2012	6/30/2011
General obligations	\$ 1,045,000	\$ 2,045,000
Leases payable	75,000	-
Total	<u>\$ 1,120,000</u>	<u>\$ 2,045,000</u>

Additional information on the District's long-term debt can be found in footnote 2 on pages 25–26 of this report.

## Economic Factors and Next Year's Budgets and Rates

In the 2012-13 Budget, General fund revenues are budgeted to increase from the 2011-12 Budget. General property taxes as certified assessed valuations have increased over this year. The state sources of revenue make up 35.37% of General fund revenues and have decreased by 2.076% from the preceding year. This revenue source is the most volatile and subject to decline if the State of Oklahoma is unable to supplement its income.

As a result of the potential impact in revenue, the District has made a concerted effort to limit appropriations to only those items truly necessary.

## Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. If you have questions about this report or need any additional information, contact Koln Knight, Superintendent, 1401 North Little, Cushing, OK 74023, or call 918-225-3425.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**STATEMENT OF NET ASSETS - REGULATORY BASIS**  
**June 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 4,220,496
<b>Capital Assets:</b>	
Land	983,215
Depreciable buildings, property and equipment net of depreciation	25,521,528
<b>Total assets</b>	<b>30,725,239</b>
<b>Liabilities:</b>	
Warrants payable	1,640,262
Reserves	5,000
Leases payable currently	37,000
General obligation bonds payable currently	515,000
<b>Long-term liabilities:</b>	
Leases payable	38,000
General obligations bonds payable	530,000
<b>Total liabilities</b>	<b>2,765,262</b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	25,384,743
Restricted	1,312,638
Unrestricted	1,262,596
<b>Total net assets</b>	<b>\$ 27,959,977</b>

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - REGULATORY BASIS**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
<b>Governmental activities:</b>				
Instruction	\$ 7,512,622	\$ 2,240	\$ 756,455	\$ (6,753,927)
Support services	4,509,254	186,755	-	(4,322,499)
Non-instructional services	855,997	-	-	(855,997)
Other outlays	80,266	-	-	(80,266)
Food Service	734,941	141,868	619,060	25,987
Interest and fiscal agent charges	47,448	-	-	(47,448)
Unallocated depreciation*	765,000	-	-	(765,000)
<b>Total school district</b>	<b>\$ 14,505,528</b>	<b>\$ 330,863</b>	<b>\$ 1,375,515</b>	<b>(12,799,150)</b>
 <b>General revenues:</b>				
Property taxes, levied for general purposes				6,923,267
Property taxes, levied for debt service				865,128
State aid				4,587,379
County sources not restricted to specific programs				491,988
Earnings on investments				7,149
Rental activities				48,790
Miscellaneous				116,903
Special items:				
Adjustments to prior year encumbrances				13,463
<b>Total general revenues and transfers</b>				<b>13,054,067</b>
 <b>Change in net assets</b>				 254,917
 <b>Net assets - beginning of year</b>				 27,705,060
 <b>Net assets - end of year</b>				 <b>\$ 27,959,977</b>

\*- This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
REGULATORY BASIS  
June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 2,793,538	\$ 595,634	\$ 831,324	\$ 4,220,496
<b>Total assets</b>	<u>\$ 2,793,538</u>	<u>\$ 595,634</u>	<u>\$ 831,324</u>	<u>\$ 4,220,496</u>
<b>Liabilities:</b>				
Warrants payable	\$ 1,525,942	\$ 46,577	\$ 67,743	\$ 1,640,262
Reserves	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>Total liabilities</b>	<u>1,530,942</u>	<u>46,577</u>	<u>67,743</u>	<u>1,645,262</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	-	-	265,832	265,832
CO-OP	-	-	283,941	283,941
Building	-	549,057	-	549,057
Child nutrition	-	-	213,808	213,808
<b>Unassigned</b>	<u>1,262,596</u>	<u>-</u>	<u>-</u>	<u>1,262,596</u>
<b>Total fund balances</b>	<u>1,262,596</u>	<u>549,057</u>	<u>763,581</u>	<u>2,575,234</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,793,538</u>	<u>\$ 595,634</u>	<u>\$ 831,324</u>	<u>\$ 4,220,496</u>

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS - REGULATORY BASIS  
June 30, 2012**

**Total Fund Balances - Total Governmental Funds** \$ 2,575,234

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These consist of:

Land	983,215	
Depreciable buildings, property and equipment net of depreciation	<u>25,521,528</u>	26,504,743

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,120,000)</u>
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**Net assets of governmental activities** \$ 27,959,977

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**REGULATORY BASIS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local sources	\$ 6,233,522	\$ 864,992	\$ 1,193,584	\$ 8,292,098
Intermediate sources	491,988	-	-	491,988
State sources	4,095,204	22	571,679	4,666,905
Federal sources	756,455	-	539,535	1,295,990
<b>Total revenues</b>	<u>11,577,169</u>	<u>865,014</u>	<u>2,304,798</u>	<u>14,746,981</u>
<b>Expenditures:</b>				
Instruction	7,512,622	-	-	7,512,622
Support services	4,008,774	500,480	-	4,509,254
Non-instructional services	17,045	-	1,572,139	1,589,184
Capital outlay	1,875	321,872	-	323,747
Other outlays	-	-	-	-
Repayments	15,038	-	66,982	82,020
Debt service:				
Principal retirement	-	-	1,000,000	1,000,000
Interest & fiscal agent charges	-	-	47,448	47,448
<b>Total expenditures</b>	<u>11,555,354</u>	<u>822,352</u>	<u>2,686,569</u>	<u>15,064,275</u>
<b>Excess of revenues over (under) expenditures</b>	21,815	42,662	(381,771)	(317,294)
<b>Adjustments to prior year encumbrances</b>	<u>13,241</u>	<u>-</u>	<u>222</u>	<u>13,463</u>
<b>Net changes in fund balance</b>	35,056	42,662	(381,549)	(303,831)
<b>Fund balance - beginning of year</b>	<u>1,227,540</u>	<u>506,395</u>	<u>1,145,130</u>	<u>2,879,065</u>
<b>Fund balance - end of year</b>	<u>\$ 1,262,596</u>	<u>\$ 549,057</u>	<u>\$ 763,581</u>	<u>\$ 2,575,234</u>

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES  
IN NET ASSETS - REGULATORY BASIS**  
**For the Fiscal Year Ended June 30, 2012**

**Net Change in Fund Balances - Total Governmental Funds** \$ (303,831)

Amounts reported in governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets have not been reflected. This is the amount of capital outlays during the current period. 323,748

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (765,000)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments during the current period. 1,000,000

Change in net assets of governmental activities \$ 254,917

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**REGULATORY BASIS**  
**June 30, 2012**

	<b>School Activity Funds</b>			
	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
<b>Assets:</b>				
Cash:				
High school	\$ 111,956	\$ 313,986	\$ 314,819	\$ 111,123
Middle school	40,406	77,495	72,744	45,157
Central office	81,207	85,393	90,895	75,705
<b>Total Assets</b>	<b>\$ 233,569</b>	<b>\$ 476,874</b>	<b>\$ 478,458</b>	<b>\$ 231,985</b>
<b>Liabilities:</b>				
Due to student groups:				
High school:				
Administration	\$ 3,499	\$ 8,733	\$ 9,247	\$ 2,985
Art	49	-	-	49
Athletics	41,584	100,264	110,356	31,492
Band	1,917	14,142	14,337	1,722
FFA	231	73,968	66,712	7,487
FCCLA	359	1,483	1,637	205
Dance Team	544	3,369	3,305	608
Cheerleading	2,834	18,108	19,891	1,051
Spanish Club	34	-	-	34
Flowers	2,028	1,000	2,000	1,028
Media Center	1,194	1,538	1,707	1,025
Girls Basketball	601	5,550	6,145	6
All Sports	45,927	31,531	27,507	49,951
Drama	2,905	7,875	7,018	3,762
Student Council	2,849	15,556	16,286	2,119
Boys Basketball	77	2,515	2,587	5
Yearbook	1,737	18,871	17,421	3,187
Vocal Music	823	4,194	3,266	1,751
Academic Team	226	-	55	171
9th Cheerleaders	44	-	-	44
Math/Science/Physics	295	1,339	1,519	115
FCA	700	859	501	1,058
NHS/GT	58	3,091	2,724	425
Reese-MMR	104	-	-	104
Quarterback Club	1,342	-	598	744

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**REGULATORY BASIS**  
**June 30, 2012**

	<b>School Activity Funds</b>			<b>Balance June 30, 2012</b>
	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	
<b>(Continued):</b>				
Middle school:				
Administration	4,992	8,929	11,419	2,502
Tiny Tigers	3,332	9,165	5,580	6,917
Home-Ec	447	2,399	2,184	662
Athletics	17,422	30,037	27,730	19,729
Student Council	6,439	7,618	5,955	8,102
Yearbook	3,899	7,167	6,586	4,480
Library	1,112	482	1,296	298
Art	123	85	123	85
Title I	33	-	33	-
Tech-Ed	-	-	-	-
Student Store	1,245	1,959	1,860	1,344
Communications	870	-	870	-
Chorus	487	9,655	9,108	1,034
Central office:				
Clearing	-	5,295	5,295	-
Community Education	396	-	-	396
Demonstration Center	23,320	5,494	21,429	7,385
Office Fund	5,542	2,369	1,590	6,321
Deep Rock	4,520	9,543	6,011	8,052
Harmony	13,412	22,782	23,769	12,425
Harrison	963	3,463	3,258	1,168
Sunnyside	24,973	9,528	7,541	26,960
Wilson	4,457	5,341	5,116	4,682
Banquet	826	2,436	1,353	1,909
Special Education	2,798	221	2,695	324
Wilson Child Enrichment	-	17,166	12,838	4,328
District Health & Wellness	-	1,754	-	1,754
<b>Total Liabilities</b>	<b>\$ 233,569</b>	<b>\$ 476,874</b>	<b>\$ 478,458</b>	<b>\$ 231,985</b>

The accompanying notes are an integral part of the basic financial statements.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Cushing School District Number I-67 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District 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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. The Cushing Public School Foundation is not included in the reporting entity since the District does not appoint any of the board members or exercise any oversight authority over the Foundation. The Foundation is an independently operated non-profit organization that was developed to assist teachers in improving the quality of education and to provide scholarships. The Foundation exists outside the operational boundaries of the school system. There are no component units (entities considered to be financially accountable to the District).

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The District prepares its financial statements in a presentation format that is, in substance, the format established by GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments*.

As to basis of accounting, 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 are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.
- Capital assets are recorded when acquired and depreciated over their useful lives.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

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

The Fund financial statements conform to the regulatory (statutory) basis of accounting, which is another comprehensive basis of accounting other than generally accepted accounting principles. The accounting policies are prescribed by the Oklahoma Department of Education and conform to the system of accounting authorized by the State of Oklahoma.

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except fiduciary funds.

The statement of net assets presents the financial condition of the District activities at year-end. The statement of activities presents demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes, interest and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** – During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. There are two categories of funds: governmental and fiduciary.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**Governmental Funds** – are used to account for the District'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). Governmental fund types use the Regulatory (Statutory) basis of accounting, which is primarily cash receipts and disbursements with certain modifications as required by the regulations of the Oklahoma State Department of Education. If the District utilized the basis of accounting recognized as generally accepted, the governmental funds would use the modified accrual basis of accounting based on the flow of current financial resources measurement focus recognizing revenues when susceptible to accrual (i.e., when they become measurable and available, normally considered available if collected within 60 days of the end of the current fiscal period). As a result Ad valorem taxes on real and personal property associated with the current fiscal period and all other revenue items are recorded as revenues when collected rather than when "measurable" and "available." Entitlements, grants and shared revenues are recorded at the time of receipt. Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

The following are the District's major governmental funds:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

Building Fund – is a special revenue fund which 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.

Other governmental funds of the District that are considered non-major funds include:

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund and the Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

Child Nutrition Fund – consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

CO-OP Fund – is a special revenue fund which is called the Oklahoma Technical Assistance Center. It accounts for revenue sources that are restricted to expenditures for specific purposes. These are budgeted funds and any fund balances are considered as resources available for use.

Debt Service fund – consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Projects fund – consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, acquisition of technical equipment and the acquisition of transportation equipment.

**Fiduciary Funds** – account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund – is custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**1. Deposits and Investments**

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and investments. The District's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets and fund balance sheets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**3. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Interfund Transactions**

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**5. Inventories**

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

**6. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture, fixtures and equipment, and vehicles, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 - 100
Furniture, Fixtures and Equipment	10 - 100
Vehicles	5 - 40

CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

7. Compensated Absences

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and long-term lease obligations are reported as liabilities in the applicable statement of net assets.

9. Net Assets

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**9. Net Assets (Continued)**

*Assigned* fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**10. Property Taxes and Other Local Revenues**

The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. 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 timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

**11. Intermediate Revenues**

Revenue from intermediate source is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

**12. State Revenues**

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.

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of 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.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**13. 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 pass through from another government, such as the state. 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.

**14. Non-Monetary Transactions**

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards and they have been reflected in the basic financial statements as revenue and expense.

**15. Resource Use Policy**

It is in the School's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the School considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the School's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2012, the District held deposits of approximately \$4,452,481 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2012 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 4,452,481	\$ 4,452,481
Total investments			<u>\$ 4,452,481</u>	<u>\$ 4,452,481</u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 100% in Money Market funds (\$4,452,481).

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets**

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 659,468	\$ 323,747	\$ -	\$ 983,215
Total non-depreciable assets	<u>659,468</u>	<u>323,747</u>	<u>-</u>	<u>983,215</u>
Depreciable assets:				
Buildings and improvements	40,901,329	-	-	40,901,329
Furniture, fixtures and equipment	7,667,107	-	-	7,667,107
Vehicles	2,414,339	75,000	-	2,489,339
Total depreciable assets	<u>50,982,775</u>	<u>75,000</u>	<u>-</u>	<u>51,057,775</u>
Less accumulated depreciation:				
Buildings and improvements	(17,004,073)	(409,013)	-	(17,413,086)
Furniture, fixtures and equipment	(6,598,208)	(172,168)	-	(6,770,376)
Vehicles	(1,168,966)	(183,819)	-	(1,352,785)
Total accumulated depreciation	<u>(24,771,247)</u>	<u>(765,000)</u>	<u>-</u>	<u>(25,536,247)</u>
Net depreciable assets	<u>26,211,528</u>	<u>(690,000)</u>	<u>-</u>	<u>25,521,528</u>
Net governmental activities capital assets	<u>\$ 26,870,996</u>	<u>\$ (366,253)</u>	<u>\$ -</u>	<u>\$ 26,504,743</u>

**C. 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. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The District issued combined purpose bonds in the amount of \$1,910,000 on May 1, 2007. Bond maturities begin May 1, 2009 with payments of \$475,000 per year and then a final payment of \$485,000. This bond was paid off in the current year.

The District issued combined purpose bonds in the amount of \$2,075,000 on June 1, 2009. Bond maturities begin June 1, 2011 with payments of \$515,000 per year and then a final payment of \$530,000. Debt service requirements for the 2009 combined purpose bonds are as follows:

Year Ended June 30,	General Obligation Bonds		Interest	Total Requirements
	Rate	Principal		
2013	1.85%	\$ 515,000	\$ 21,187	\$ 536,187
2014	2.20%	530,000	11,660	541,660
		<u>\$ 1,045,000</u>	<u>\$ 32,847</u>	<u>\$ 1,077,847</u>

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Long-term Debt (Continued)**

Debt service requirements for all bonds is as follows:

Year Ended June 30,	General Obligation Bonds Principal	Interest	Total Requirements
2013	\$ 515,000	\$ 21,187	\$ 536,187
2014	530,000	11,660	541,660
Total	<u>\$ 1,045,000</u>	<u>\$ 32,847</u>	<u>\$ 1,077,847</u>

**D. Leases**

The District executed a lease for purchase of vehicles on November 15, 2012 with MR, Inc. The amount of the lease is \$75,000 with interest at 3.2382%.

Year Ended June 30,	Principal	Interest	Total Requirements
2013	\$ 37,000	\$ 3,056	\$ 40,056
2014	38,000	1,231	39,231
	<u>75,000</u>	<u>4,287</u>	<u>79,287</u>

The above leases contain a clause that gives the District the ability to terminate the lease agreements at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt account group for these leased assets.

**E. Changes in General Long-term Debt**

Long-term debt consists of bonds payable and lease obligations. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Bonds payable	\$ 2,045,000	\$ -	\$ 1,000,000	\$ 1,045,000
Leases payable	-	75,000	-	75,000
Total	<u>\$ 2,045,000</u>	<u>\$ 75,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,120,000</u>

**3. OTHER INFORMATION**

**A. 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 these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The School also 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 them 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 schools 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 their loss fund in three years it is returned to them with no interest.

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 their 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 their account they would be liable for the excess.

**B. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

**C. Non-Monetary Transactions**

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$35,679.

**D. Employee Retirement System and Plan**

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 District, OK 73152 or by calling 405-521-2387.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. OTHER INFORMATION (Continued)**

**D. Employee Retirement System and Plan (Continued)**

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. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were \$723,576, \$762,075 and \$783,095 respectively.

**E. Surety Bonds**

The Activity Fund Clerks are bonded by Ohio Casualty Insurance Company. The bond number is 5080586, it covers each activity fund clerk for the penal sum of \$5,000, and it is for the term July 1, 2011 to June 30, 2012.

The Superintendent is bonded by Ohio Casualty Insurance Company. The bond number is 5080586, for the penal sum of \$100,000 for the term July 1, 2011 to July 1, 2012.

The treasurer is bonded by Ohio Casualty Insurance Company. The bond number is 5080586, for the penal sum of \$115,000 for the term July 1, 2011 to July 1, 2012.

The encumbrance clerk is bonded by Ohio Casualty Insurance Company. The bond number is 5080586, for the penal sum of \$5,000 for the term July 1, 2011 to July 1, 2012.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 7, 2012, which is the date the financial statements were available to be issued and have determined that there is a possibility that the Cushing School Building Fund may be required to re-pay Stroud Schools Building Fund for excess property tax revenues received due to Lincoln County incorrectly identifying the school districts in the property tax valuations. No estimated amount of liability has been added to the financial statements at this time.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2012**

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**(Non-GAAP Budgetary Basis)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Local sources	\$ 5,568,158	\$ 5,568,158	\$ 6,233,522	\$ 665,364
Intermediate sources	330,857	330,857	491,988	161,131
State sources	4,530,475	4,530,475	4,095,204	(435,271)
Federal sources	1,020,256	1,020,256	756,455	(263,801)
<b>Total revenues</b>	<u>11,449,746</u>	<u>11,449,746</u>	<u>11,577,169</u>	<u>127,423</u>
<b>Expenditures:</b>				
Instruction	8,632,286	8,632,286	7,512,622	1,119,664
Support services	4,010,000	4,010,000	4,008,774	1,226
Non-instructional services	17,500	17,500	17,045	455
Capital outlay	2,000	2,000	1,875	125
Other outlays	-	-	-	-
Repayments	15,500	15,500	15,038	462
<b>Total expenditures</b>	<u>12,677,286</u>	<u>12,677,286</u>	<u>11,555,354</u>	<u>1,121,932</u>
<b>Net change in fund balance</b>	(1,227,540)	(1,227,540)	21,815	1,249,355
<b>Beginning fund balance</b>	1,227,540	1,227,540	1,227,540	-
<b>Prior year encumbrances appropriated</b>	-	-	13,241	13,241
<b>Ending fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,262,596</u>	<u>\$ 1,262,596</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**

(Non-GAAP Budgetary Basis)

**SPECIAL REVENUE FUNDS - BUILDING FUND**

For the Fiscal Year Ended June 30, 2012

(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Local sources	\$ 782,684	\$ 782,684	\$ 864,992	\$ 82,308
Intermediate sources	-	-	-	-
State sources	-	-	22	22
Federal sources	-	-	-	-
<b>Total revenues</b>	<u>782,684</u>	<u>782,684</u>	<u>865,014</u>	<u>82,330</u>
<b>Expenditures:</b>				
Support services	964,079	964,079	500,480	463,599
Non-instructional services	-	-	-	-
Capital outlay	325,000	325,000	321,872	3,128
Other outlays	-	-	-	-
Repayments	-	-	-	-
<b>Total expenditures</b>	<u>1,289,079</u>	<u>1,289,079</u>	<u>822,352</u>	<u>466,727</u>
<b>Net change in fund balance</b>	(506,395)	(506,395)	42,662	549,057
<b>Beginning fund balance</b>	506,395	506,395	506,395	-
<b>Prior year encumbrances appropriated</b>	-	-	-	-
<b>Ending fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,057</u>	<u>\$ 549,057</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**(Non-GAAP Budgetary Basis)**  
**SPECIAL REVENUE FUNDS - CO-OP FUND**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Revenues:</b>				
Local sources	\$ 254,266	\$ 254,266	\$ 186,588	\$ (67,678)
Intermediate sources	-	-	-	-
State sources	873,434	873,434	492,132	(381,302)
Federal sources	-	-	-	-
<b>Total revenues</b>	<b>1,127,700</b>	<b>1,127,700</b>	<b>678,720</b>	<b>(448,980)</b>
<b>Expenditures:</b>				
Support services	1,567,101	1,567,101	838,952	728,149
Non-instructional services	-	-	-	-
Capital outlay	-	-	-	-
Other outlays	70,000	70,000	65,228	4,772
Repayments	-	-	-	-
<b>Total expenditures</b>	<b>1,637,101</b>	<b>1,637,101</b>	<b>904,180</b>	<b>732,921</b>
<b>Net change in fund balance</b>	<b>(509,401)</b>	<b>(509,401)</b>	<b>(225,460)</b>	<b>283,941</b>
<b>Beginning fund balance</b>	<b>509,401</b>	<b>509,401</b>	<b>509,401</b>	<b>-</b>
<b>Prior year encumbrances appropriated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 283,941</b>	<b>\$ 283,941</b>

The Notes to Required Supplemental Information are an integral part of this statement.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**(Non-GAAP Budgetary Basis)**  
**SPECIAL REVENUE FUNDS - CHILD NUTRITION FUND**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Local sources	\$ 121,085	\$ 121,085	\$ 141,868	\$ 20,783
Intermediate sources	-	-	-	-
State sources	62,324	62,324	79,525	17,201
Federal sources	472,180	472,180	539,535	67,355
<b>Total revenues</b>	<u>655,589</u>	<u>655,589</u>	<u>760,928</u>	<u>105,339</u>
<b>Expenditures:</b>				
Support services	-	-	-	-
Non-instructional services	841,188	841,188	733,187	108,001
Capital outlay	-	-	-	-
Other outlays	-	-	-	-
Repayments	2,000	2,000	1,754	246
<b>Total expenditures</b>	<u>843,188</u>	<u>843,188</u>	<u>734,941</u>	<u>108,247</u>
<b>Net change in fund balance</b>	(187,599)	(187,599)	25,987	213,586
<b>Beginning fund balance</b>	187,599	187,599	187,599	-
<b>Prior year encumbrances appropriated</b>	<u>-</u>	<u>-</u>	<u>222</u>	<u>222</u>
<b>Ending fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,808</u>	<u>\$ 213,808</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**(Non-GAAP Budgetary Basis)**  
**DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Local sources	\$ 816,084	\$ 816,084	\$ 865,128	\$ 49,044
Intermediate sources	-	-	-	-
State sources	-	-	22	22
Federal sources	-	-	-	-
<b>Total revenues</b>	<u>816,084</u>	<u>816,084</u>	<u>865,150</u>	<u>49,066</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	1,000,000	1,000,000	1,000,000	-
Interest & fiscal agent charges	<u>47,448</u>	<u>47,448</u>	<u>47,448</u>	-
<b>Total expenditures</b>	<u>1,047,448</u>	<u>1,047,448</u>	<u>1,047,448</u>	-
<b>Net change in fund balance</b>	(231,364)	(231,364)	(182,298)	49,066
<b>Beginning fund balance</b>	<u>448,130</u>	<u>448,130</u>	<u>448,130</u>	-
<b>Ending fund balances</b>	<u>\$ 216,766</u>	<u>\$ 216,766</u>	<u>\$ 265,832</u>	<u>\$ 49,066</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**BUDGETARY INFORMATION**

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Since the voters have permanently approved the additional levies, the preliminary budget becomes the legal budget. An annual Estimate of Needs is then approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board. Supplemental appropriations can be made during the year.

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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**SUPPLEMENTAL INFORMATION**  
**June 30, 2012**

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**REGULATORY BASIS**  
June 30, 2012

	<u>Capital Projects</u>		<u>Special Revenue</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Debt Service</u>	<u>General</u>	<u>CO-OP Fund</u>	<u>Child Nutrition Fund</u>	
<b>Assets:</b>					
Cash and investments	\$ 265,832	\$ -	\$ 291,849	\$ 273,643	\$ 831,324
<b>Total assets</b>	<u>265,832</u>	<u>-</u>	<u>291,849</u>	<u>273,643</u>	<u>831,324</u>
<b>Liabilities:</b>					
Warrants payable	-	-	7,908	59,835	67,743
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>7,908</u>	<u>59,835</u>	<u>67,743</u>
<b>Fund balances:</b>					
Restricted	265,832	-	283,941	213,808	763,581
<b>Total fund balances</b>	<u>265,832</u>	<u>-</u>	<u>283,941</u>	<u>213,808</u>	<u>763,581</u>
<b>Total liabilities and fund balances</b>	<u>\$ 265,832</u>	<u>\$ -</u>	<u>\$ 291,849</u>	<u>\$ 273,643</u>	<u>\$ 831,324</u>

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**REGULATORY BASIS**  
For the Fiscal Year Ended June 30, 2012

	<u>Debt Service</u>	<u>Capital Projects General</u>	<u>Special Revenue CO-OP Fund</u>	<u>Child Nutrition Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>					
Local sources	\$ 865,128	\$ -	\$ 186,588	\$ 141,868	\$ 1,193,584
Intermediate sources	-	-	-	-	-
State sources	22	-	492,132	79,525	571,679
Federal sources	-	-	-	539,535	539,535
<b>Total revenues</b>	<u>865,150</u>	<u>-</u>	<u>678,720</u>	<u>760,928</u>	<u>2,304,798</u>
<b>Expenditures:</b>					
Support services	-	-	-	-	-
Non-instructional services	-	-	838,952	733,187	1,572,139
Capital outlay	-	-	-	-	-
Other outlays	-	-	-	-	-
Repayments	-	-	65,228	1,754	66,982
Debt service:					
Principal retirement	1,000,000	-	-	-	1,000,000
Interest & fiscal agent charges	47,448	-	-	-	47,448
<b>Total expenditures</b>	<u>1,047,448</u>	<u>-</u>	<u>904,180</u>	<u>734,941</u>	<u>2,686,569</u>
<b>Excess of revenues over (under) expenditures</b>	(182,298)	-	(225,460)	25,987	(381,771)
<b>Adjustments to prior year encumbrances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222</u>	<u>222</u>
<b>Net changes in fund balance</b>	(182,298)	-	(225,460)	26,209	(381,549)
<b>Fund balance - begin of year</b>	<u>448,130</u>	<u>-</u>	<u>509,401</u>	<u>187,599</u>	<u>1,145,130</u>
<b>Fund balance - end of year</b>	<u>\$ 265,832</u>	<u>\$ -</u>	<u>\$ 283,941</u>	<u>\$ 213,808</u>	<u>\$ 763,581</u>

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Approved Amount	Balance @ July 1, 2011	Receipts	Expenditures	Balance @ June 30, 2012
<b>U.S. Department of Education:</b>							
<b>Direct Programs:</b>							
Title VII - Indian Education	84.060	561	98,372	-	98,372	98,372	-
<b>Sub-Total</b>			<b>98,372</b>	<b>-</b>	<b>98,372</b>	<b>98,372</b>	<b>-</b>
<b>Passed through State Department of Education:</b>							
Title I	84.010	511	415,850	-	378,442	378,442	-
Title I	84.010	511	409,940	(6,555)	6,555	-	-
Title I - Part A - ARRA	84.389	516	4,585	-	4,585	4,585	-
Title I - Part A - ARRA 10-11	84.389	516	84,969	(6,006)	6,006	-	-
Title II, Part A	84.367	541	101,462	-	96,594	96,594	-
Title II, Part D Educational Tech	84.318	545	140	-	133	133	-
Title II, Part D Educational Tech 10-11	84.318	546	1,156	(1,156)	1,156	-	-
Title II, Part D 10-11	84.318	548	386	(386)	386	-	-
Education Jobs Fund 10-11	84.410	790	332,477	(86,109)	86,109	-	-
Title VI, Part B - Rural and Low Income	84.358	587	36,870	-	35,084	35,084	-
<b>Sub-Total</b>			<b>1,387,835</b>	<b>(100,212)</b>	<b>615,050</b>	<b>514,838</b>	<b>-</b>
<b>Passed through State Department of Career and Technology Education:</b>							
Carl Perkins	84.048	782	21,646	(133)	133	-	-
Carl Perkins	84.048	782	23,646	-	23,614	23,614	-
<b>Sub-Total</b>			<b>45,292</b>	<b>(133)</b>	<b>23,747</b>	<b>23,614</b>	<b>-</b>
<b>Passed through the Oklahoma Health Care Authority:</b>							
Medicaid	93.778	698	19,247	-	19,247	19,247	-

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
Payne County, Oklahoma

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Approved Amount	Balance @ July 1, 2011	Receipts	Expenditures	Balance @ June 30, 2012
<b>Other Federal Assistance:</b>							
Forestry Department - Schools & Roads	10.666		39	-	39	39	-
<b>U.S. Department of Agriculture:</b>							
<b>Passed through State Department of Education:</b>							
Child Nutrition Programs:							
School Breakfast Program	10.553	385	156,980	-	156,980	156,980	-
National School Lunch Program	10.555	385	382,555	-	382,555	382,555	-
Passed through Oklahoma Department of Human Services (Note A)	10.550		35,679	-	35,679	35,679	-
<b>Sub-Total</b>			<b>575,214</b>	<b>-</b>	<b>575,214</b>	<b>575,214</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,125,999</b>	<b>\$ (100,345)</b>	<b>\$ 1,331,669</b>	<b>\$ 1,231,324</b>	<b>\$ -</b>

Note A - Food Distribution: Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.  
 Note B - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the basic financial statements except for nonmonetary assistance noted in Note A.

CUSHING SCHOOL DISTRICT NUMBER I-67  
Payne County, Oklahoma

ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT

JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma )

County of Payne )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Cushing School District for the audit year 2011-2012.

CBEW PROFESSIONAL GROUP, LLP

Auditing Firm

By Walter H Webb

Authorized Agent

Subscribed and sworn to before me on this 7<sup>th</sup> day of, August, 2012.

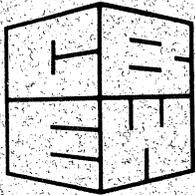
Rebecca Toops  
Notary Public

My commission expires on:

2<sup>nd</sup> day of Aug., 2015 #11007004.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2012**



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

206 N. HARRISON • P.O. BOX 790 • CUSHING, OKLAHOMA 74023 • 918-225-4216 • FAX 918-225-4315

DON K. ETHRIDGE, CPA  
WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA

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

August 7, 2012

The Honorable Board of Education  
Cushing School District Number I-67  
Cushing, Payne County, Oklahoma

We have audited the basic financial statements—regulatory basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Cushing School District Number I-67, Payne County, Oklahoma (District), as of and for the year ended June 30, 2012, and have issued our report thereon dated August 7, 2012. The report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

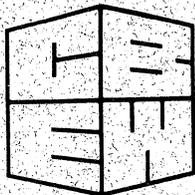
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Cushing School District Number I-67  
August 7, 2012

This report is intended solely for the information and use of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group, LLP*  
CBEW PROFESSIONAL GROUP, LLP  
Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

August 7, 2012

The Honorable Board of Education  
Cushing School District Number I-67  
Cushing, Payne County, Oklahoma

Compliance

We have audited the compliance of the Cushing School District Number I-67, Payne County, Oklahoma (District) 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. Our responsibility is to express an opinion on the Cushing School District Number I-67, Payne County, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Cushing School District Number I-67, Payne County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Cushing School District Number I-67, Payne County, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the 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 Cushing School District Number I-67, Payne County, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the 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 management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group, LLP*

CBEW PROFESSIONAL GROUP, LLP  
Certified Public Accountants

**CUSHING SCHOOLS DISTRICT NO. I-67**  
**Payne County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an adverse opinion on the basic financial statements—regulatory basis in conformity with generally accepted accounting principles and an unqualified opinion on the governmental activities, each major fund and the aggregate remaining fund information in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of Cushing School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for Cushing School District expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Cushing School District are reported in this Schedule.
7. The programs tested as major programs included: Child Nutrition – Breakfast, CFDA No. 10.553, Child Nutrition – Lunch, CFDA No. 10-555, Title I – Grants to Local Educational Agencies – ARRA – CFDA No. 84.389 & Title I – Grants to Local Educational Agencies – CFDA No. 84.010.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The Cushing School District did not qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None

**CUSHING SCHOOLS DISTRICT NO. I-67  
Payne County, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2012**

None.

**CUSHING SCHOOL DISTRICT NUMBER I-67**  
**Payne County, Oklahoma**  
**June 30, 2012**

**AUDIT ACKNOWLEDGEMENT**

The annual independent audit for the Cushing School District Number I-67 was presented to the Board of Education in an Open Board Meeting on September 10, 2012, by CBEW Professional Group, LLP.

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

\_\_\_\_\_  
Superintendent of Schools

\_\_\_\_\_  
Board of Education Vice President

\_\_\_\_\_  
Board of Education President

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

Subscribed and sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

My commission expires on \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public

Affix Notary Seal