

CYRIL INDEPENDENT SCHOOL DISTRICT NO. 64

CADDO COUNTY, OKLAHOMA

JUNE 30, 2012

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**CYRIL INDEPENDENT SCHOOL DISTRICT NO. I-64, CADDO COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Cyril Independent School District #64
Caddo County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Cyril Independent School District #64**, Caddo County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2012, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the 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 opinions.

As described more fully in Note 1, **Cyril Independent School District #64** Caddo County, Oklahoma, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect 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 to be material.

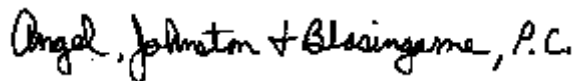
In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Cyril Independent School District #64**, Garvin County, Oklahoma, as of June 30, 2012, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Cyril Independent School District, #64**, Caddo County, Oklahoma as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of the School District's internal control over financial reporting and on 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements of **Cyril Independent School District #64**, Caddo County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards 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 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 combined financial statements as a whole on the regulatory basis of accounting described in Note 1.



Chickasha, Oklahoma
November 8, 2012

COMBINED FINANCIAL STATEMENTS

Cyril School District No.1-064, Caddo County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2012
Cash and Cash Equivalents	\$ 473,851	\$ 57,758	\$ 84,840	\$ 12,483	\$ 57,901	\$ 0	\$ 686,834
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	84,840	84,840
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	285,160	285,160
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	23,460	23,460
Total Assets	\$ 473,851	\$ 57,758	\$ 84,840	\$ 12,483	\$ 57,901	\$ 393,460	\$ 1,080,294
 LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 45,896	\$ 1,389	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,285
Reserve for Encumbrances	4,260	3,216	0	0	0	0	7,475
Due to Activity Groups	0	0	0	0	57,901	0	57,901
General Obligation Bonds Payable	0	0	0	0	0	370,000	370,000
Capitalized Lease Obligations Payable	0	0	0	0	0	23,460	23,460
Total Liabilities	\$ 50,156	\$ 4,605	\$ 0	\$ 0	\$ 57,901	\$ 393,460	\$ 506,121
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 84,840	\$ 0	\$ 0	\$ 0	\$ 84,840
Reserved for Capital Projects	0	0	0	12,483	0	0	12,483
Cash Fund Balance	423,696	53,154	0	0	0	0	476,849
Total Fund Equity	\$ 423,696	\$ 53,154	\$ 84,840	\$ 12,483	\$ 0	\$ 0	\$ 574,172
Total Liabilities and Fund Equity	\$ 473,851	\$ 57,758	\$ 84,840	\$ 12,483	\$ 57,901	\$ 393,460	\$ 1,080,294

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

Cyril School District No.1-064, Caddo County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012
Revenue Collected:					
Local Sources	\$ 320,541	\$ 56,228	\$ 159,645	\$ 0	\$ 536,415
Intermediate Sources	46,444	0	0	0	46,444
State Sources	1,658,057	11,421	0	0	1,669,478
Federal Sources	319,380	140,497	0	0	459,877
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 2,344,422</u>	<u>\$ 208,147</u>	<u>\$ 159,645</u>	<u>\$ 0</u>	<u>\$ 2,712,214</u>
Expenditures Paid:					
Instruction	\$ 1,528,763	\$ 0	\$ 0	\$ 0	\$ 1,528,763
Support Services	784,937	45,539	0	50,120	880,597
Operation of Non-Instructional Services	0	148,071	0	0	148,071
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	342	0	0	0	342
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	185,000	0	185,000
Interest and Fiscal Agent Fees	0	0	12,395	0	12,395
<i>Total Expenditures Paid</i>	<u>\$ 2,314,042</u>	<u>\$ 193,610</u>	<u>\$ 197,395</u>	<u>\$ 50,120</u>	<u>\$ 2,755,167</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 30,380</u>	<u>\$ 14,536</u>	<u>\$ (37,750)</u>	<u>\$ (50,120)</u>	<u>\$ (42,953)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 3,291</u>	<u>\$ 358</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,649</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ (0)
Bond Proceeds	0	0	0	0	0
Transfers In	202	25,792	0	0	25,994
Transfers Out	(351)	0	0	0	(351)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (149)</u>	<u>\$ 25,792</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,643</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 33,522</u>	<u>\$ 40,686</u>	<u>\$ (37,750)</u>	<u>\$ (50,120)</u>	<u>\$ (13,661)</u>
<i>Fund Balance - Beginning of Year</i>	<u>390,173</u>	<u>12,467</u>	<u>122,590</u>	<u>62,603</u>	<u>587,833</u>
<i>Fund Balance - End of Year</i>	<u>\$ 423,696</u>	<u>\$ 53,154</u>	<u>\$ 84,840</u>	<u>\$ 12,483</u>	<u>\$ 574,172</u>

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

Cyril School District No.1-064, Caddo County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2012

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 269,444	\$ 269,444	\$ 320,541	\$ 40,788	\$ 40,788	\$ 56,228	\$ 151,499	\$ 151,499	\$ 159,645
Intermediate Sources	41,000	41,000	46,444	0	0	0	0	0	0
State Sources	1,642,484	1,642,484	1,658,057	11,405	11,405	11,421	0	0	0
Federal Sources	159,970	159,970	319,380	119,715	119,715	140,497	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 2,112,898</u>	<u>\$ 2,112,898</u>	<u>\$ 2,344,422</u>	<u>\$ 171,909</u>	<u>\$ 171,909</u>	<u>\$ 208,147</u>	<u>\$ 151,499</u>	<u>\$ 151,499</u>	<u>\$ 159,645</u>
Expenditures Paid:									
Instruction	\$ 1,967,724	\$ 1,967,724	\$ 1,528,763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	515,428	515,428	784,937	54,330	54,330	45,539	0	0	0
Operation of Non-Instructional Services	0	0	0	151,046	151,046	148,071	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	19,669	19,669	342	0	0	0	274,089	274,089	197,395
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,502,821</u>	<u>\$ 2,502,821</u>	<u>\$ 2,314,042</u>	<u>\$ 205,376</u>	<u>\$ 205,376</u>	<u>\$ 193,610</u>	<u>\$ 274,089</u>	<u>\$ 274,089</u>	<u>\$ 197,395</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (389,923)</u>	<u>\$ (389,923)</u>	<u>\$ 30,380</u>	<u>\$ (33,467)</u>	<u>\$ (33,467)</u>	<u>\$ 14,536</u>	<u>\$ (122,590)</u>	<u>\$ (122,590)</u>	<u>\$ (37,750)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,291</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0
Transfers In	0	0	202	21,000	21,000	25,792	0	0	0
Transfers Out	(250)	(250)	(351)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (250)</u>	<u>\$ (250)</u>	<u>\$ (149)</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 25,792</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (390,173)</u>	<u>\$ (390,173)</u>	<u>\$ 33,522</u>	<u>\$ (12,467)</u>	<u>\$ (12,467)</u>	<u>\$ 40,686</u>	<u>\$ (122,590)</u>	<u>\$ (122,590)</u>	<u>\$ (37,750)</u>
<i>Fund Balance - Beginning of Year</i>	<u>390,173</u>	<u>390,173</u>	<u>390,173</u>	<u>12,467</u>	<u>12,467</u>	<u>12,467</u>	<u>122,590</u>	<u>122,590</u>	<u>122,590</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 423,696</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 53,154</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,840</u>

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

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Cyril Public Schools Independent District No. 64, Caddo County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.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 the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

1.B. Fund Accounting

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

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

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

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, Governmental Fund Types, (continued)

Governmental Fund Types

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

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

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund, Child Nutrition Fund, and Cooperative Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

Cooperative Fund - The Cooperative Fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. Cyril School is the LEA for a Library Grant. The revenues necessary to operate the cooperative program came from a federal grant for the purpose of purchasing library books and media equipment.

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

4. Capital Projects Fund - The Capital Projects Fund consists of the Districts and 2009 Combined Purpose bond issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only - Total Column

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

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

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

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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

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

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

1.F. Revenue, Expenses, and Expenditures

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

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.F. Revenue, Expenses, and Expenditures, (continued)

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2012:

		Carrying Value
Deposits		
Demand Deposits	\$	688,572
Time Deposits		0
Total Deposits	\$	688,572
Investments		
	Credit Rating	Maturity
		Fair Value
		\$ 0
Total Investments	\$	0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	686,834
Activity Fund Outstanding Checks		1,738
Total Deposits and Investments	\$	688,572

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

The District did not have any custodian credit risk as of June 30, 2012 as defined above.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
3. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
4. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
5. 4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
6. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
7. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
8. Warrants, bonds or judgments of the school district.
9. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
10. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had not have any investment credit risk as of June 30, 2012, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District 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. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2012, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

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

General long-term debt of the District consists of bonds payable and lease purchases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2011	555,000	30,468	0	585,468
Additions	0	0	0	0
Retirements	185,000	7,008	0	192,008
Balance, June 30, 2012	370,000	23,460	0	393,460

A brief description of the outstanding general obligation bond issues at June 30, 2012 is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2009 Building Bonds	2.1 to 2.4%	June 1, 2014	\$ 735,000	\$ 370,000
Totals			\$ 735,000	\$ 370,000

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009 Building Bonds			
2012-13	\$ 185,000	\$ 8,325	\$ 193,325
2013-14	185,000	4,440	189,440
Sub Total	\$ 370,000	\$ 12,765	\$ 382,765
Total Bonds	\$ 370,000	\$ 12,765	\$ 382,765

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 3 - General Long-term Debt (continued)

Interest paid on long term debt during the 2011-12 year was \$12,395.

The District has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	<u>Copier</u>	<u>Total</u>
2013	\$ 8,100	\$ 8,100
2014	8,100	8,100
2015	8,100	8,100
2016	<u>675</u>	<u>675</u>
Total	\$ <u>24,975</u>	\$ <u>24,975</u>
Less: Amount Representing Interest	(1,515)	(1,515)
Present Value of Future Minimum Lease Payments	\$ <u><u>23,460</u></u>	\$ <u><u>23,460</u></u>

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System, (continued)

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2012. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were \$141,254, \$147,205, and \$159,763 respectively.

The compensation for employees covered by the System for the year ended June 30, 2012 was \$1,486,877; the District's total compensation was \$1,623,724. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.00% of compensation arising from federal grants (\$7,383) and 9.50% of compensation arising from post retirement employees (\$0). There were \$78,214 contributions made by employees during the year ended June 30, 2012.

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

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

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

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

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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.

Cyril ISD No. 64, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The treasurer is bonded by Western Surety Company bond number 70944775 for the penal sum of \$250,000 for the term for July 1, 2011 to July 1, 2012.

The minute clerk, encumbrance clerk, and activity fund custodian are bonded by Western Surety Company bond number 68503828 for the penal sum of \$5,000 for the term August 26, 2011 to August 26, 2012.

The superintendent is bonded by Western Surety Company bond number 70945301 for the penal sum of \$100,000 for the term July 1, 2011 to July 1, 2012.

OTHER SUPPLEMENTAL INFORMATION

Cyril School District No. I-064, Caddo County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 27,603	\$ 30,155	\$ 0	\$ 57,758
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 27,603</u>	<u>\$ 30,155</u>	<u>\$ 0</u>	<u>\$ 57,758</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Warrants Payable	\$ 1,270	\$ 119	\$ 0	\$ 1,389
Reserve for Encumbrances	<u>3,216</u>	<u>0</u>	<u>0</u>	<u>3,216</u>
<i>Total Liabilities</i>	<u>\$ 4,485</u>	<u>\$ 119</u>	<u>\$ 0</u>	<u>\$ 4,605</u>
Fund Balance:				
Cash Fund Balance	<u>\$ 23,117</u>	<u>\$ 30,036</u>	<u>\$ 0</u>	<u>\$ 53,154</u>
<i>Total Fund Balance</i>	<u>\$ 23,117</u>	<u>\$ 30,036</u>	<u>\$ 0</u>	<u>\$ 53,154</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 27,603</u>	<u>\$ 30,155</u>	<u>\$ 0</u>	<u>\$ 57,758</u>

Cyril School District No.1-064, Caddo County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2012

	Building Fund	Child Nutrition Fund	Cooperative Fund	Total June 30, 2012
Revenue Collected:				
Local Sources	\$ 52,257	\$ 3,971	\$ 0	\$ 56,228
Intermediate Sources	0	0	0	0
State Sources	0	11,421	0	11,421
Federal Sources	0	118,282	22,215	140,497
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<i>\$ 52,257</i>	<i>\$ 133,674</i>	<i>\$ 22,215</i>	<i>\$ 208,147</i>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	45,539	0	0	45,539
Operation of Non-Instructional Services	0	148,071	0	148,071
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<i>\$ 45,539</i>	<i>\$ 148,071</i>	<i>\$ 0</i>	<i>\$ 193,610</i>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<i>\$ 6,718</i>	<i>\$ (14,397)</i>	<i>\$ 22,215</i>	<i>\$ 14,536</i>
Adjustments to Prior Year Encumbrances	\$ 358	\$ 0	\$ 0	\$ 358
Other Financing Sources (Uses):				
Estopped Warrants	\$ (0)	\$ 0	\$ 0	\$ (0)
Transfers In	0	25,792	0	25,792
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>\$ (0)</i>	<i>\$ 25,792</i>	<i>\$ 0</i>	<i>\$ 25,792</i>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<i>\$ 7,076</i>	<i>\$ 11,395</i>	<i>\$ 22,215</i>	<i>\$ 40,686</i>
<i>Fund Balance - Beginning of Year</i>	<i>16,042</i>	<i>18,641</i>	<i>(22,215)</i>	<i>12,467</i>
<i>Fund Balance - End of Year</i>	<i>\$ 23,117</i>	<i>\$ 30,036</i>	<i>\$ 0</i>	<i>\$ 53,154</i>

Cyril School District No. I-064, Caddo County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Budget and Actual
 For the Year Ending June 30, 2012

	Building Fund			Cooperative Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:												
Local Sources	\$ 38,288	\$ 38,288	\$ 52,257	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 2,500	\$ 3,971	\$ 40,788	\$ 40,788	\$ 56,228
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	11,405	11,405	11,421	11,405	11,405	11,421
Federal Sources	0	0	0	22,215	22,215	22,215	97,500	97,500	118,282	119,715	119,715	140,497
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 38,288</u>	<u>\$ 38,288</u>	<u>\$ 52,257</u>	<u>\$ 22,215</u>	<u>\$ 22,215</u>	<u>\$ 22,215</u>	<u>\$ 111,405</u>	<u>\$ 111,405</u>	<u>\$ 133,674</u>	<u>\$ 171,909</u>	<u>\$ 171,909</u>	<u>\$ 208,147</u>
Expenditures Paid:												
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	54,330	54,330	45,539	0	0	0	0	0	0	54,330	54,330	45,539
Operation of Non-Instructional Services	0	0	0	0	0	0	151,046	151,046	148,071	151,046	151,046	148,071
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 54,330</u>	<u>\$ 54,330</u>	<u>\$ 45,539</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,046</u>	<u>\$ 151,046</u>	<u>\$ 148,071</u>	<u>\$ 205,376</u>	<u>\$ 205,376</u>	<u>\$ 193,610</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (16,042)	\$ (16,042)	\$ 6,718	\$ 22,215	\$ 22,215	\$ 22,215	\$ (39,641)	\$ (39,641)	\$ (14,397)	\$ (33,467)	\$ (33,467)	\$ 14,536
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 358	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 358
Other Financing Sources (Uses):												
Estopped Warrants	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
Transfers In	0	0	0	0	0	0	21,000	21,000	25,792	21,000	21,000	25,792
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 25,792</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 25,792</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (16,042)	\$ (16,042)	\$ 7,076	\$ 22,215	\$ 22,215	\$ 22,215	\$ (18,641)	\$ (18,641)	\$ 11,395	\$ (12,467)	\$ (12,467)	\$ 40,686
<i>Fund Balance - Beginning of Year</i>	16,042	16,042	16,042	(22,215)	(22,215)	(22,215)	18,641	18,641	18,641	12,467	12,467	12,467
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 23,117</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,036</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 53,154</u>

Cyril School District No.1-064, Caddo County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 57,901
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 57,901</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>57,901</u>
<i>Total Liabilities</i>	<u>\$ 57,901</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 57,901</u>

Cyril School District No.1-064, Caddo County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

<u>ACTIVITIES</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Child Nutrition Program	0	25,842	25,842	0
Annual	16,819	14,099	9,706	21,212
Art	769	321	677	412
Athletic	3,999	45,281	48,658	622
Concessions	7,056	28,415	28,485	6,986
Elementary	5,821	27,323	26,215	6,929
Drama Club	848	0	0	848
Elementary 4-H	2,201	1,818	1,712	2,307
4-H-HS	1,357	623	1,016	965
FFA	4,733	16,409	18,151	2,990
Class of 12-13	525	14,754	12,308	2,971
Class of 11-12	6,871	3,072	8,917	1,026
FCCLA	1,272	678	1,075	875
Class of 13-14	1,360	1,850	1,263	1,948
Class of 14-15	319	408	433	294
Class of 15-16	281	562	562	281
Class of 16-17	0	467	385	82
Gifted and Talented	5	0	0	5
General Fund Refund	0	7	7	0
Math Club	55	0	0	55
Misc	42	2,410	1,996	456
CHS National Honor Society	356	861	234	983
Cheerleaders	668	13,880	13,161	1,387
Petty Cash	0	351	351	0
Scholastic	2,743	7	0	2,750
Science Club	662	3,612	3,328	946
Spanish Club	1	0	0	1
Alumni	12	0	0	12
Student Council	737	1,202	1,381	558
Total Activities	\$ <u>59,513</u>	\$ <u>204,251</u>	\$ <u>205,863</u>	\$ <u>57,901</u>

CYRIL INDEPENDENT SCHOOL DISTRICT NO. 64, CADDO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Pass-Through Grantor's Project Number</u>	<u>Deferred Revenue (Accounts Receivable) July 1, 2011</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Deferred Revenue (Accounts Receivable) June 30, 2012</u>
U.S. Department of Education						
Direct Programs:						
Indian Education Title VII	84.060A	561	0	20,681	20,681	(0)
Small Rural School Achievement (Note 4)	84.358A	588	0	15,351	15,351	0
Title VIII, Impact Aid	84.041	591	1,534	82,053	85,664	0
Libraries for Literacy (L3 Project)	84.364A	770	(22,215)	22,215	0	0
Passed Through Oklahoma State Department of Education:						
Title I, Basic	84.010	511	0	73,930	73,930	(0)
Title I Cluster			0	73,930	73,930	(0)
IDEA-B Flowthrough	84.027	621	(17,880)	84,891	67,011	(0)
IDEA-B Preschool	84.173	641	0	2,010	2,010	(0)
Special Education Cluster			(17,880)	86,901	69,021	(0)
Title II, Part A, (Note 3)	84.367	586	(2,853)	23,101	23,107	0
Education Jobs Funds	84.410	790	(6,343)	8,855	2,512	(0)
Total U.S. Department of Education			(47,757)	333,087	290,266	(0)
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Breakfast Program	10.553	764	0	36,893	14,896	21,997
Lunch Program	10.555	763	0	81,389	73,349	8,040
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	7,839	7,839	0
Child Nutrition Cluster			0	126,121	96,084	30,036
Total U.S. Department of Agriculture			0	126,121	96,084	30,036
Other Federal Assistance						
Passed Through Chickasaw Nation:						
Johnson O'Malley	15.130	563	10	8,507	4,563	3,954
Total Other Federal Assistance			10	8,507	4,563	3,954
TOTAL FEDERAL ASSISTANCE			(47,747)	467,715	390,914	33,990

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2- Commodities received in the amount of \$7,839 of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3- The school filed a claim June 15, 2012 for \$2,859. However, the State Dept. of Education stated they did not receive the claim. Therefore, the school will not receive the \$2,859. The SDE has added this amount to the school's budgeted amount for FY 2012-13.

Note 4 - Limited expenditures to amount of revenues received. School actually coded expenditures of \$18,928 to this project code.



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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education
Cyril Independent School District #64
Caddo County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Cyril Independent School District #64**, Caddo County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated November 8, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. 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

Management of **Cyril Independent School District #64**, Caddo County, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2012-1 Finding

Statement of Condition - The superintendent was give a step increase during the year. However, a new revised contract was not submitted to the State Department of Education. Thus, the superintendent was paid more than the amount stated on his contract on file at the State Department of Education.

Criteria – Under Oklahoma law, a superintendent cannot be paid more than the amount stated on the contract filed with the State Department of Education.

Cause/Effect of Condition - The superintendent’s contract is approved by the Board in January for the school year starting in July. A salary step schedule is applied to his pay, but the contract is not updated reflecting the change in pay, resulting in the superintendent being paid more than the amount listed on the contract on file with the State Department of Education.

Recommendation – If the board is going to approve the superintendent’s contract before the new salary schedule is released, there should be a provision/clause stating he will receive the step increase amount when published and an updated contract should be resubmitted to the State Department of Education.

2012-2 – Finding –

Statement of Condition - During our review of federal grant programs, we noted that the school had prepared a claim for reimbursement on June 15, 2012 for \$2,859 for the Title II, Part A, Program. As of the date of our final fieldwork (10-25-12) these funds had not been received by the School. Management contacted the State Department of Education but was told the state had no record of receiving the claim for reimbursement.

Criteria – The State Department of Education will only reimburse for a claim that is presented prior to September 30, 2012. Since the State Department of Education has not record of receiving the claim by the September 30 deadline, the claim will not be reimbursed.

Cause/Effect of Condition – The school did not follow up on the status of the claim so they will not be reimbursed the \$2,859. The State Department of Education did state they had added the \$2,859 to the school’s 2012-13 Title II, Part A budget. Therefore, the school will still receive these funds, but they will be required to expend the funds again in 2012-13.

Recommendation – The school should establish a procedure to ensure all claims for reimbursement are received. We recommend the person filing a claim for reimbursement provide a copy to the treasurer who would put it in a folder. Once the reimbursement is received, the treasurer would pull the claim from her folder. Periodically the treasurer should go through her folder and follow-up on unpaid claims (especially prior to the September 30 deadline).

2012-3 – Finding

Statement of Condition – During our review of designated state funds, we noted the school did not code state vocational revenues to OCAS project codes of 411 and 412.

Criteria – The school should code designated state funds to the appropriate revenue OCAS project codes. This allows for proper tracking of the revenues.

Cause/Effect of Condition – The school inadvertently failed to code these revenues to specific OCAS project codes. The State Department of Education requires these project codes be used so they can track the sources of revenue a school receives.

Recommendation – The school should code specific designated state funds to the proper OCAS project codes.

2012-4 – Finding

Statement of Condition – A fundraiser sponsor (cheerleading) is not issuing receipts for money collected from students. She is also waiting until a fundraiser is complete to turn in money for deposit.

Criteria – Students should be issued a receipt when they turn in money to a sponsor. Also, state law requires that money in excess of \$100 be deposited daily, but never less than once per week.

Cause/Effect of Condition – Procedures were not being followed by the sponsor. This could result in an increased risk of fraud or theft.

Recommendation- We recommend receipts be written when money is turned in and that money be deposited in accordance with state law.

2014-5 – Finding

Statement of Condition – The district has a lack of segregation of duties in the Activity Fund. The Activity Fund Custodian collects money, writes checks and reconciles the bank account.

Criteria – A good system of internal control provides for a proper segregation of the collecting, check writing and reconciling function.

Cause/Effect of Condition – Due to the limited number of personnel available in the accounting area, there is a possibility that errors or irregularities may occur and not be detected within a timely period by another employee while performing their normal procedures.

Recommendation – The board should assess the advantages of segregating the accounting functions in order to determine whether hiring/assigning additional personnel would be cost effective. Also, the district might consider having someone other than the activity fund clerk make deposits and/or sign activity fund checks.

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*.

The District's response to the findings identified in our audit is described on the attached Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education of **Cyril Independent School District #64**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
November 8, 2012

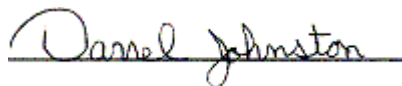
OTHER INFORMATION

Cyril ISD No. 64, Caddo County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

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 *Cyril Independent School District* for the audit year 2011-12.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2012

Notary Public

My Commission Expires 11-12-16

Cyril ISD No. 64, Caddo County
Disposition of Prior Year Audit Findings
Year Ended June 30, 2012

2011-1 Finding - Lack of Segregation of Duties

Statement of Condition - The District has a lack of segregation of duties in the Activity fund. The Activity Fund Custodian collects money, writes checks and reconciles the bank account.

Criteria - A good system of internal control provides for a proper segregation of the collecting, check writing and reconciling function.

Cause/Effect of Condition - Due to the limited number of personnel available in the accounting area, there is a possibility that errors or irregularities may occur and not be detected within a timely period by another employee while performing their normal procedures.

Recommendation - The board should assess the advantages of segregating the accounting functions in order to determine whether hiring/assigning additional personnel would be cost effective.

Current Status - There was no change in procedures so it is listed on our 2011-12 GAO letter as 2012-1 Exhibit C-2.

SCHOOL'S CORRECTIVE ACTION PLAN



Cyril Public Schools

P.O. BOX 449
CYRIL, OKLAHOMA 73029
PHONE: 580-464-2419
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HIGH SCHOOL: 580-464-2272
ELEMENTARY SCHOOL: 580-464-2437
FAX: 580-464-3704

**CYRIL PUBLIC SCHOOL DISTRICT, I-064
CADDO COUNTY, 08**

**Audit Findings
Corrective Action Plan**

Audit Year 2011-2012

2012-1 Finding

Description: Superintendent's contract at the district level does not match the contract at the State Department of Education.

Contact Person: Mr. Jamie Mitchell

Steps Implemented: The Cyril Board of Education will take action at the regular November Board Meeting to either remove the step raise reflected at the district level or approve a new contract to be sent to the SDE.

2012-2 Finding

Description: Federal Program claim error involving the lack of claiming \$2,859 in federal monies.

Contact Person: Mr. Jamie Mitchell

Steps Implemented: Review our claiming process and run checks to ensure all monies are claimed on time.

2012-3 Finding

Description: Failure to code state vocational funds to OCAS project codes of 411 and 412.

Contact Person: Mr. Jamie Mitchell

Steps Implemented: Monthly reviews to ensure these funds are properly coded.



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FAX: 580-464-3704

2012-4 Finding

Description: Fundraising sponsor (Cheerleading) not issuing receipts for money collected and holding money for long periods of time before deposit.

Contact Person: Mr. Jamie Mitchell

Steps Implemented: At beginning of year Activity Fund Clerk reviewed all procedures with all sponsors.

2012-5 Finding

Description: Lack of segregation of duties in the Activity Fund.

Contact Person: Mr. Jamie Mitchell

Steps Implemented: The Board has reviewed the advantages of segregating duties in the Activity fund and determined it would not be financially feaseable to the district to add personnel at this time.

Completion Date: November 2012