

DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 2

MCCLAIN COUNTY, OKLAHOMA

JUNE 30, 2013

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MCCLAIN COUNTY, OKLAHOMA

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**DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 1-2, MCCLAIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Dibble Independent School District #2
McClain County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Dibble Independent School District #2**, McClain County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by **Dibble Independent School District #2** McClain County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Dibble Independent School District #2**, McClain County, Oklahoma, as of June 30, 2013, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” 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 **Dibble Independent School District, #2**, McClain County, Oklahoma as of June 30, 2013, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Dibble Independent School District #2, McClain County, Oklahoma’s** combined financial statements. The combining financial 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 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.

The combining financial 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of the **Dibble Independent School District, #2, McClain County, Oklahoma'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 Standard* in considering **Dibble Independent School District, #2, McClain County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
September 26, 2013

COMBINED FINANCIAL STATEMENTS

Dibble School District No.1-002, McClain County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2013

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2013
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 1,069,910	\$ 90,196	\$ 18,080	\$ 0	\$ 53,285	\$ 0	\$ 1,231,471
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	18,080	18,080
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	376,920	376,920
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	2,138,652	2,138,652
Total Assets	\$ 1,069,910	\$ 90,196	\$ 18,080	\$ 0	\$ 53,285	\$ 2,533,652	\$ 3,765,123
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants Payable	\$ 238,555	\$ 16,184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 254,739
Reserve for Encumbrances	39,230	0	0	0	0	0	39,230
Due to Activity Groups	0	0	0	0	53,285	0	53,285
General Obligation Bonds Payable	0	0	0	0	0	395,000	395,000
Capitalized Lease Obligations Payable	0	0	0	0	0	2,138,652	2,138,652
Total Liabilities	\$ 277,785	\$ 16,184	\$ 0	\$ 0	\$ 53,285	\$ 2,533,652	\$ 2,880,906
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 18,080	\$ 0	\$ 0	\$ 0	\$ 18,080
Reserved for Capital Projects	0	0	0	0	0	0	0
Cash Fund Balance	792,125	74,012	0	0	0	0	866,137
Total Fund Equity	\$ 792,125	\$ 74,012	\$ 18,080	\$ 0	\$ 0	\$ 0	\$ 884,217
Total Liabilities and Fund Equity	\$ 1,069,910	\$ 90,196	\$ 18,080	\$ 0	\$ 53,285	\$ 2,533,652	\$ 3,765,123

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

Dibble School District No.1-002, McClain 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, 2013

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
Revenue Collected:					
Local Sources	\$ 486,597	\$ 172,833	\$ 384,035	\$ 0	\$ 1,043,465
Intermediate Sources	110,074	0	0	0	110,074
State Sources	3,095,027	4,722	7	0	3,099,757
Federal Sources	388,928	239,985	0	0	628,913
Non-Revenue Receipts	0	0	79	0	79
<i>Total Revenue Collected</i>	<u>\$ 4,080,627</u>	<u>\$ 417,540</u>	<u>\$ 384,121</u>	<u>\$ 0</u>	<u>\$ 4,882,289</u>
Expenditures Paid:					
Instruction	\$ 2,613,196	\$ 42,674	\$ 0	\$ 0	\$ 2,655,870
Support Services	1,499,573	43,602	0	0	1,543,175
Operation of Non-Instructional Services	28,757	347,045	0	0	375,802
Facilities Acquisition and Construction	34,000	27,900	0	395,000	456,900
Other Outlays	200	0	0	0	200
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	380,000	0	380,000
Interest and Fiscal Agent Fees	0	0	7,600	0	7,600
<i>Total Expenditures Paid</i>	<u>\$ 4,175,726</u>	<u>\$ 461,220</u>	<u>\$ 387,600</u>	<u>\$ 395,000</u>	<u>\$ 5,419,547</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (95,100)</u>	<u>\$ (43,680)</u>	<u>\$ (3,479)</u>	<u>\$ (395,000)</u>	<u>\$ (537,258)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 854</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 857</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 48	\$ 0	\$ 0	\$ 0	\$ 48
Bond Proceeds	0	0	0	395,000	395,000
Transfers In	5,572	35,297	0	0	40,869
Transfers Out	(35,697)	0	0	0	(35,697)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (30,077)</u>	<u>\$ 35,297</u>	<u>\$ 0</u>	<u>\$ 395,000</u>	<u>\$ 400,220</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (124,322)</u>	<u>\$ (8,380)</u>	<u>\$ (3,479)</u>	<u>\$ 0</u>	<u>\$ (136,181)</u>
<i>Fund Balance - Beginning of Year</i>	<u>916,447</u>	<u>82,392</u>	<u>21,559</u>	<u>0</u>	<u>1,020,398</u>
<i>Fund Balance - End of Year</i>	<u>\$ 792,125</u>	<u>\$ 74,012</u>	<u>\$ 18,080</u>	<u>\$ 0</u>	<u>\$ 884,217</u>

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

Dibble School District No.1-002, McClain 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, 2013

	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	\$ 410,646	\$ 410,646	\$ 486,597	\$ 147,832	\$ 147,832	\$ 172,833	\$ 366,041	\$ 366,041	\$ 384,042
Intermediate Sources	93,002	93,002	110,074	0	0	0	0	0	0
State Sources	2,941,840	2,941,840	3,095,027	4,167	4,167	4,722	0	0	0
Federal Sources	165,150	165,150	388,928	212,125	212,125	239,985	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	79
<i>Total Revenue Collected</i>	<u>\$ 3,610,638</u>	<u>\$ 3,610,638</u>	<u>\$ 4,080,627</u>	<u>\$ 364,123</u>	<u>\$ 364,123</u>	<u>\$ 417,540</u>	<u>\$ 366,041</u>	<u>\$ 366,041</u>	<u>\$ 384,121</u>
Expenditures Paid:									
Instruction	\$ 3,299,097	\$ 3,299,097	\$ 2,613,196	\$ 42,674	\$ 42,674	\$ 42,674	\$ 0	\$ 0	\$ 0
Support Services	1,148,011	1,148,011	1,499,573	75,561	75,561	43,602	0	0	0
Operation of Non-Instructional Services	34,000	34,000	28,757	347,190	347,190	347,045	0	0	0
Facilities Acquisition and Construction	16,900	16,900	34,000	0	0	27,900	0	0	0
Other Outlays	0	0	200	0	0	0	387,600	387,600	387,600
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>\$ 4,498,008</u>	<u>\$ 4,498,008</u>	<u>\$ 4,175,726</u>	<u>\$ 465,425</u>	<u>\$ 465,425</u>	<u>\$ 461,220</u>	<u>\$ 387,600</u>	<u>\$ 387,600</u>	<u>\$ 387,600</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	<u>\$ (887,370)</u>	<u>\$ (887,370)</u>	<u>\$ (95,100)</u>	<u>\$ (101,302)</u>	<u>\$ (101,302)</u>	<u>\$ (43,680)</u>	<u>\$ (21,559)</u>	<u>\$ (21,559)</u>	<u>\$ (3,479)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 854</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 48	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	5,572	18,909	18,909	35,297	0	0	0
Transfers Out	(29,077)	(29,077)	(35,697)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (29,077)</u>	<u>\$ (29,077)</u>	<u>\$ (30,077)</u>	<u>\$ 18,909</u>	<u>\$ 18,909</u>	<u>\$ 35,297</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	<u>\$ (916,447)</u>	<u>\$ (916,447)</u>	<u>\$ (124,322)</u>	<u>\$ (82,392)</u>	<u>\$ (82,392)</u>	<u>\$ (8,380)</u>	<u>\$ (21,559)</u>	<u>\$ (21,559)</u>	<u>\$ (3,479)</u>
<i>Fund Balance - Beginning of Year</i>	<u>916,447</u>	<u>916,447</u>	<u>916,447</u>	<u>82,392</u>	<u>82,392</u>	<u>82,392</u>	<u>21,559</u>	<u>21,559</u>	<u>21,559</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 792,125</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 74,012</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 18,080</u>

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

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Dibble Public Schools Independent District No. 2, McClain 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."

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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 was established when several schools districts entered into a cooperative agreement to operate an Alternative Education program. The revenues necessary to operate this program come from a Carl Perkins federal grant. The expenditures for this fund consist of those necessary to operate and maintain the joint programs. Dibble school is the LEA for this cooperative fund.

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 District's-2010 Building Bond. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, 2013, 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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, 2013

			Carrying Value
			<hr/>
Deposits			
Demand Deposits		\$	1,233,239
Time Deposits			<u>0</u>
Total Deposits		\$	<u><u>1,233,239</u></u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			<hr/>
		\$	0
Total Investments		\$	<u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	1,231,471
Activity Fund Outstanding Checks			<u>1,768</u>
Total Deposits and Investments		\$	<u><u>1,233,239</u></u>

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.

At June 30, 2013, the District was not exposed to custodial credit risk 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. 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.
7. Warrants, bonds or judgments of the school district.
8. 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.
9. 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 no investment credit risk as of June 30, 2013, 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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, 2013, 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 capital leases. 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, 2013:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	380,000	2,518,958	0	2,898,958
Additions	395,000	0	0	395,000
Retirements	380,000	380,306	0	760,306
Balance, June 30, 2013	395,000	2,138,652	0	2,533,652

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2012 Building Bonds	0.75%	July 1, 2014	\$ 395,000	\$ 395,000
Totals			\$ 395,000	\$ 395,000

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 3 - General Long-term Debt, (continued)

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

				Principal		Interest		Total
2012 Building Bonds								
2013-14				\$ 0	\$	2,963	\$	2,963
2014-15				395,000		2,962		397,962
Sub Total				\$ 395,000	\$	5,925	\$	400,925
Total Bonds				\$ 395,000	\$	5,925	\$	400,925

Interest expense on bonds payable incurred during the current year totaled \$7,600.

The District has entered into a ground lease agreement as lessee for financing the construction of new school buildings.. The District has also entered into a lease purchase agreements for the acquisition of school furniture, fixtures, equipment, and a copier. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements 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 leases and the present value of the net minimum lease payments at June 30, is as follows:

		Year Ending			Ground	Furniture		
		June 30		Copier	Lease	Fixtures		
						Equipment	Total	
		2014	\$	6,300	\$	20,000	\$	470,300
		2015		6,300		164,745		1,743,326
		2016		1,050		0		1,050
		Total	\$	13,650	\$	184,745	\$	2,214,676
Less: Amount Representing Interest				(930)		(7,094)		(76,024)
Present Value of Future Minimum								
Lease Payments			\$	12,720	\$	1,948,281	\$	2,138,652

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 (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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. PERS provides retirement, disability and death benefits to plan members and beneficiaries. 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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 4 - Employee Retirement System, continued

The System issues a publicly available financial report that includes 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.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, 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, 2013. 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, 2013, 2012, and 2011 were \$229,314, \$202,531, and \$198,731 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$2,381,249; the District's total compensation was \$3,082,618. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$19,724). There were \$130,624 contributions made by employees during the year ended June 30, 2013.

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, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</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, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.

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 District has a Public School System Faithful Performance Blanket Position Bond with Old Republic Surety Company. The bond number is 1058051, it covers various positions including the Encumbrance clerk, minutes clerk, and principals for the penal sum of between \$1,000 to \$5,000. It covers the period December 27, 2012 to December 27, 2013.

The District has a policy with Old Republic Surety Company bond number LOP2112797 that covers the superintendent for the penal sum of \$100,000. It covers the period July 1, 2012 to July 1, 2013.

The District has a policy with Old Republic surety Company bonds number LOP 2112798 and LOP 150089396 that cover the treasurer and assistant treasurer for the penal sum of \$100,000 each. The treasurer's policy covers the period July 1, 2012 to July 1, 2013.. The assistant treasurer's policy covers the period March 28, 2013 to March 28, 2014.

OTHER SUPPLEMENTAL INFORMATION

Dibble School District No.1-002, McClain County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2013

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2013</u>
Cash and Cash Equivalents	\$ 9,600	\$ 80,596	\$ 0	\$ 90,196
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 9,600</u>	<u>\$ 80,596</u>	<u>\$ 0</u>	<u>\$ 90,196</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants Payable	\$ 0	\$ 16,184	\$ 0	\$ 16,184
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 16,184</u>	<u>\$ 0</u>	<u>\$ 16,184</u>
Fund Balance:				
Cash Fund Balance	\$ 9,600	\$ 64,412	\$ 0	\$ 74,012
<i>Total Fund Balance</i>	<u>\$ 9,600</u>	<u>\$ 64,412</u>	<u>\$ 0</u>	<u>\$ 74,012</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 9,600</u>	<u>\$ 80,596</u>	<u>\$ 0</u>	<u>\$ 90,196</u>

Dibble School District No.1-002, McClain 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, 2013

	Building Fund	Child Nutrition Fund	Cooperative Fund	Total June 30, 2013
Revenue Collected:				
Local Sources	\$ 64,122	\$ 108,711	\$ 0	\$ 172,833
Intermediate Sources	0	0	0	0
State Sources	1	4,721	0	4,722
Federal Sources	0	197,311	42,674	239,985
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 64,123</u>	<u>\$ 310,743</u>	<u>\$ 42,674</u>	<u>\$ 417,540</u>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 42,674	\$ 42,674
Support Services	43,602	0	0	43,602
Operation of Non-Instructional Services	0	347,045	0	347,045
Facilities Acquisition and Construction	27,900	0	0	27,900
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>	<u>\$ 71,502</u>	<u>\$ 347,045</u>	<u>\$ 42,674</u>	<u>\$ 461,220</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (7,378)</u>	<u>\$ (36,302)</u>	<u>\$ 0</u>	<u>\$ (43,680)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>
Other Financing Sources (Uses):				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	35,297	0	35,297
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 35,297</u>	<u>\$ 0</u>	<u>\$ 35,297</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (7,376)</u>	<u>\$ (1,005)</u>	<u>\$ 0</u>	<u>\$ (8,380)</u>
<i>Fund Balance - Beginning of Year</i>	<u>16,975</u>	<u>65,417</u>	<u>0</u>	<u>82,392</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 9,600</u></u>	<u><u>\$ 64,412</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 74,012</u></u>

Dibble School District No. I-002, McClain 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, 2013

	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	\$ 58,586	\$ 58,586	\$ 64,122	\$ 0	\$ 0	\$ 0	\$ 89,246	\$ 89,246	\$ 108,711	\$ 147,832	\$ 147,832	\$ 172,833
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	1	0	0	0	4,167	4,167	4,721	4,167	4,167	4,722
Federal Sources	0	0	0	42,674	42,674	42,674	169,451	169,451	197,311	212,125	212,125	239,985
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 58,586</u>	<u>\$ 58,586</u>	<u>\$ 64,123</u>	<u>\$ 42,674</u>	<u>\$ 42,674</u>	<u>\$ 42,674</u>	<u>\$ 262,864</u>	<u>\$ 262,864</u>	<u>\$ 310,743</u>	<u>\$ 364,123</u>	<u>\$ 364,123</u>	<u>\$ 417,540</u>
Expenditures Paid:												
Instruction	\$ 0	\$ 0	\$ 0	\$ 42,674	\$ 42,674	\$ 42,674	\$ 0	\$ 0	\$ 0	\$ 42,674	\$ 42,674	\$ 42,674
Support Services	75,561	75,561	43,602	0	0	0	0	0	0	75,561	75,561	43,602
Operation of Non-Instructional Services	0	0	0	0	0	0	347,190	347,190	347,045	347,190	347,190	347,045
Facilities Acquisition and Construction	0	0	27,900	0	0	0	0	0	0	0	0	27,900
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>\$ 75,561</u>	<u>\$ 75,561</u>	<u>\$ 71,502</u>	<u>\$ 42,674</u>	<u>\$ 42,674</u>	<u>\$ 42,674</u>	<u>\$ 347,190</u>	<u>\$ 347,190</u>	<u>\$ 347,045</u>	<u>\$ 465,425</u>	<u>\$ 465,425</u>	<u>\$ 461,220</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to</i>												
<i>Prior Year Encumbrances</i>	<u>\$ (16,975)</u>	<u>\$ (16,975)</u>	<u>\$ (7,378)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (84,326)</u>	<u>\$ (84,326)</u>	<u>\$ (36,302)</u>	<u>\$ (101,302)</u>	<u>\$ (101,302)</u>	<u>\$ (43,680)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>
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	18,909	18,909	35,297	18,909	18,909	35,297
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>\$ 18,909</u>	<u>\$ 18,909</u>	<u>\$ 35,297</u>	<u>\$ 18,909</u>	<u>\$ 18,909</u>	<u>\$ 35,297</u>
<i>Excess (Deficiency) of Revenue Collected</i>												
<i>Over Expenditures Paid and Other Financing</i>												
<i>Sources (Uses)</i>	<u>\$ (16,975)</u>	<u>\$ (16,975)</u>	<u>\$ (7,376)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (65,417)</u>	<u>\$ (65,417)</u>	<u>\$ (1,005)</u>	<u>\$ (82,392)</u>	<u>\$ (82,392)</u>	<u>\$ (8,380)</u>
<i>Fund Balance - Beginning of Year</i>	<u>16,975</u>	<u>16,975</u>	<u>16,975</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,417</u>	<u>65,417</u>	<u>65,417</u>	<u>82,392</u>	<u>82,392</u>	<u>82,392</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 9,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,412</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 74,012</u>

Dibble School District No.I-002, McClain County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2013

<u>ASSETS</u>	School Activity Fund
Cash	\$ 53,285
Investments	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 53,285</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>53,285</u>
<i>Total Liabilities</i>	<u>\$ 53,285</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 53,285</u></u>

Dibble School District No.I-002, McClain County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2013

ACTIVITIES	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Football	\$ 5,641	\$ 14,313	\$ 16,622	\$ 3,332
Boys Basketball	5,162	7,167	10,116	2,213
Girls Basketball	2,359	9,462	11,576	246
Boys Baseball	285	0	285	0
Girls Softball	1,338	6,890	6,090	2,137
General Athletics	1,017	29,473	25,887	4,603
General Activity	779	3,143	2,243	1,680
Class of 2012	113	0	113	0
Class of 2013	563	4,408	4,969	3
Advanced Placement	92	1,086	1,075	103
Class of 2014	1,508	8,632	7,651	2,489
Petty Cash/High School	0	1,611	1,611	0
Library	500	11,030	10,779	750
General Fund	0	4,072	4,072	0
National Honor Society	1,012	2,133	2,230	915
Spanish Club	434	413	431	416
Class of 2016	143	4,462	1,690	2,915
Class of 2019	50	0	0	50
Alumni-Scholarship	941	34	0	975
Class of 2015	1,578	2,848	2,140	2,286
Special Education Activity	195	0	0	195
Deep	35	3,169	3,204	0
FCCLA	834	14,391	14,365	861
FFA	8,183	57,587	59,031	6,740
Paper Recycling Account	121	55	76	100
Cheerleaders/High School	214	2,771	2,985	0
Cheerleaders/Jr. High	704	2,735	2,974	465
Spirit Club	103	0	103	0
Yearbook	7,395	7,827	5,109	10,113
F.U.N.	53	0	0	53
Johnson O'Malley	489	664	777	376
Petty Cash/Elementary	0	1,121	1,121	0
Elementary	2,044	4,842	5,569	1,317
Band	2	174	150	25
Music	187	3,142	1,977	1,352
Gate/Concession Change	455	0	0	455
Fellowship of Christian Athletics	54	0	0	54
HS Student Council	888	14,195	14,693	391
American Sign Language	148	581	453	276
Camp Goddard	2,364	3,630	4,502	1,493
Doris Odom Scholarship	525	0	0	525
Middle School Activity Account	656	4,241	1,899	2,998
Central Office Activity	0	107	0	107
JH Student Council	733	783	1,238	278
Total Activities	\$ 49,898	\$ 233,194	\$ 229,806	\$ 53,285

DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 2, MCCLAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass- Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2012	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2013	Indirect Cost
U.S. Department of Education							
Direct Programs:							
Indian Education Title VII	84.060A	561	0	24,376	24,376	0	
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511	(26,016)	197,000	170,984	0	
Title I Cluster			(26,016)	197,000	170,984	0	
IDEA-B, Project Echo	84.027	615	(1,321)	1,322	307	(306)	
IDEA-B Flowthrough	84.027	621	(20,280)	130,620	110,340	0	
IDEA-B Preschool	84.173	641	0	2,142	2,142	0	
Special Education Cluster			(21,601)	134,084	112,789	(306)	
Title II, Part A,	84.367	541	(5,144)	17,964	12,820	0	
Title VI, Subpart 2, Rural & Low Income	84.358B	587	0	11,946	11,946	0	
Passed through Oklahoma Dept. of Vocational Ed:							
Carl Perkins Consortium	84.048	423	0	42,674	42,674	0	
Total U.S. Department of Education			(52,761)	428,044	375,589	(306)	
U.S. Department of Health & Human Services							
Passed through Oklahoma Health Care Authority:							
Medicaid Resources (Note 3)	93.778	698	342	0	0	0	
Total U.S. Department of Human Services			342	0	0	0	
U.S. Department of Agriculture							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	17,785	59,073	27,082	49,776	
Lunch Program	10.555	763	9,093	138,238	132,376	14,955	
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	15,631	15,631	0	
Child Nutrition Cluster			26,878	212,942	175,089	64,731	
Total U.S. Department of Agriculture			26,878	212,942	175,089	64,731	
U.S. Department of Interior							
Passed through Bureau of Indian Affairs:							
Johnson O'Malley	15.130	563	(118)	3,558	3,440	0	
Total U.S. Department of Interior			(118)	3,558	3,440	0	
TOTAL FEDERAL ASSISTANCE			(25,659)	644,544	554,118	64,425	

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 \$15,631 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This is from a prior year and the district does not anticipate having any expenditures to code to this. We will take it off the Schedule of expenditures of federal awards, since the district won't have any expenditures coded here.



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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
Dibble Independent School District #2
McClain County, Oklahoma

Board Members:

We have audited, 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, the fund type and account group financial statements, regulatory basis, of **Dibble Independent School District #2**, McClain County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated September 26, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of 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 the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dibble Independent School District #2, McClain County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-1, 2013-2_)

Compliance and Other Matters

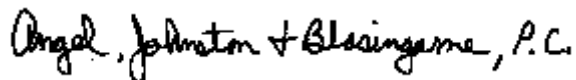
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

Dibble Independent School District #2, Oklahoma's, Response to Findings

Dibble Independent School District #2, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
September 26, 2013



ANGEL,
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Board of Education
Dibble Independent School District #I-2
McClain County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Dibble Independent School District #I-2**, McClain County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Dibble Independent School District, I-2** McClain County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, **Dibble Independent School District #I-2**, McClain County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

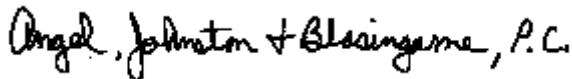
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Chickasha, Oklahoma
September 26, 2013

DIBBLE ISD NO. 2 MCCLAIN COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section 1

Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|--|--------------------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant Deficiencies identified not considered to be
material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in
accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 84.010 | Title I Cluster |
| 84.027, 84.173 | Special Education Cluster |
| 5. Dollar threshold used to distinguish between Type A or Type B
programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133,
Section 530? | No |

Dibble ISD No. 2, McClain County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)

Section 2

Financial Statement Findings

2013-1 Finding:

Statement of Condition - During our payroll testing, we noted one employee that did not have a signed contract on file.

Criteria - All payments to employees should be supported by a signed contract.

Cause/Effect of Condition - The payroll period had begun prior to contracts being approved. This employee terminated her employment prior to the contracts being approved.

Recommendation - All payroll payments should be supported by a written contract, signed by both the employee and the board of education.

2013-2 Finding :

Statement of Condition - A reconciliation is not being prepared between the cash collected for student meals and a la carte meals and the cash collected per the MAS software collection report.

Criteria - A reconciliation should be prepared that reconciles cash collected to cash recorded on the MAS lunch software. This reconciliation should be prepared and signed by two individuals.

Cause/Effect of Condition - Lunch staff were not aware that a reconciliation should be prepared. The risk of misappropriation is heightened due to the lack of this control.

Recommendation -A reconciliation of cash collected to the MAS collection report should be prepared by the lunch staff on a daily basis.

Section 3

Federal Award Findings and Questioned Costs

(None)

Dibble ISD No. 2, McClain County

Summary of Prior Year Audit Findings

Year Ended June 30, 2013

Financial Statement Findings

2012-1 Finding:

Statement of Condition - 4 of 23 activity fund requisitions tested were dated after the invoice/order date. Thus it appears goods/services were ordered before approval was received. This was an improvement over the previous year but the district still needs to work on it.

Criteria - All purchases should be approved by the purchasing officer prior to purchase.

Cause/Effect of Condition - Employees lack of understanding of activity fund purchasing policies caused them to be in noncompliance with district's purchasing policies.

Recommendation - All requisitions should be submitted and approved prior to any order for goods and services being placed.

Current Status - This was corrected during the 2012-13 year.

2012-2 Finding :

Statement of Condition - 5 of 23 activity fund requisitions tested did not have an original or itemized invoice attached.

Criteria - Itemized invoices are required as documentation prior to an expenditure being made.

Cause/Effect of Condition - Some employees lack of understanding of purchasing policies could lead to unauthorized expenditures being paid.

Recommendation - Expenditures should not be paid unless an itemized invoice is received. This invoice should be kept with the requisition for documentation.

Current Status – This was corrected during the 2012-13 year.

2012-3 – Finding :

Statement of Condition - An employee that was paid with federal funds, did not have the required 7% matching teacher retirement paid on her salary..

Criteria - According to Oklahoma Teacher Retirement regulations, matching teacher retirement is required to be paid on salaries paid from federal funds.

Cause/Effect of Condition - The salary was reclassified to a federal project code and the payroll clerk was not aware that the accounting software does not automatically recalculate after reclassifying. Teacher retirement was under paid by \$1,166.67.

Recommendation - The school should pay teacher retirement the underpaid amount.

Current Status - This was corrected during the 2012-13 year.

2012-4 - Finding

Statement of Condition - The superintendent was paid \$198 above his contract on file at the State Department of Education. This was a payment for bus driving but an amended contract was not prepared/sent to the State Department of Education.

Criteria - Oklahoma State statutes state that the District is not authorized to pay any salary, benefits, or other compensation to a superintendent which are not specified in the contract on file with the State Department of Education.

Cause/Effect of Condition - Employees lack of knowledge of this law, resulted in the superintendent being paid more than the amount authorized on his contract.

Recommendation - Additional payments made to the superintendent after the original contract is signed, should be supported by an amended contract and sent to the State Department of Education.

Current Status - This was corrected for the 2012-13 year.

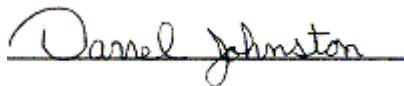
OTHER INFORMATION

Dibble ISD No. 2, McClain County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2013

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 *Dibble Independent School District* for the audit year 2012-13.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2013.

Notary Public

My Commission Expires November 12, 2016

SCHOOL'S CORRECTIVE ACTION PLAN



DIBBLE PUBLIC SCHOOL

Chad Clanton, *Superintendent*
Darlene Hayhurst, *Middle School Principal*
David McLain, *Co-High School Principal*

Randy Barker, *Elementary Principal*
Damon Garner, *Co-High School Principal/Athletic Director*
Lori Marshall, *Elementary/Middle School Dean of Students*

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DIBBLE PUBLIC SCHOOL DISTRICT

MCCLAIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR: 2012-2013

AUDIT FINDING REFERENCE NUMBER: 2013-1

DESCRIPTION OF FINDING: During payroll testing, one employee did not have a signed contract on file.

CONTACT PERSON: Chad Clanton

STEPS IMPLEMENTED: The Superintendent will recommend that future contracts be structured so that they are "continuing" in nature until replaced by the current year contract.

COMPLETION DATE: 2014-2015 Academic Year



DIBBLE PUBLIC SCHOOL

Chad Clanton, *Superintendent*
Darlene Hayhurst, *Middle School Principal*
David McLain, *Co-High School Principal*

Randy Barker, *Elementary Principal*
Damon Garner, *Co-High School Principal/Athletic Director*
Lori Marshall, *Elementary/Middle School Dean of Students*

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DIBBLE PUBLIC SCHOOL DISTRICT

MCCLAIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR: 2012-2013

AUDIT FINDING REFERENCE NUMBER: 2013-2

DESCRIPTION OF FINDING: A reconciliation is not being prepared between the cash being collected for student meals and a la carte meals and the cash collected per the MAS software collection report.

CONTACT PERSON: Chad Clanton

STEPS IMPLEMENTED: The cafeteria staff will begin reconciling the cash collected for student meals and a la carte meals and the cash collected per the MAS software collection report.

COMPLETION DATE: September 10, 2013