EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA

Financial Statements
June 30, 2012

With Independent Auditors' Report Thereon

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
June 30, 2012

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EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
June 30, 2012

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EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
School District Officials
Year Ended June 30, 2012

Board of Education

President	Rodney Short
Vice-President	Sandy Hadley
Clerk	Tony Lawler
Member	Jeanette Simpson
Member	Denise Williams

School District Treasurer/Minute Clerk

Carlene Reavis

Encumbrance Clerk

Sonya Lawler

Superintendent of Schools

Kent Hendon

JOHNSTON & BRYANT

Certified Public Accountants

P.O. Box 1564
Ada, Oklahoma 74821-1564
(580) 332-5549

Pete Johnston, C.P.A.
Allen Bryant, Jr., C.P.A.

MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Education
Eagletown Independent School District I-13
Eagletown, McCurtain County, Oklahoma

We have audited the accompanying fund type and account group financial statements, including budget and actual, of Eagletown Independent School District No. I-13, McCurtain 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 Eagletown School District, No. I-13, McCurtain County, Oklahoma. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, Eagletown Independent School District No. I-13, McCurtain 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 amounts that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

Eagletown Independent School District I-13
McCurtain County, Oklahoma

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 Eagletown Independent School District, No. I-13, McCurtain 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 which 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, the liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Eagletown Independent School District No. I-13, McCurtain County, Oklahoma, as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with Governmental Auditing Standards, we have also issued our report dated August 28, 2012, on our consideration of the Eagletown Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 Eagletown Independent School District No. I-13, McCurtain 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.

August 28, 2012

Johnston & Bryson

COMBINED FINANCIAL STATEMENTS

Exhibit A

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combined Statement of Assets, Liabilities and Fund Balance - Regulatory Basis
All Fund Types and Account Groups
June 30, 2012

	Governmental Fund Types		
	General	Special Revenues	Debt Services
ASSETS			
Cash and Cash Equivalents	$ 779,665	$ 57,990	$ 18,966
Amounts Available In Debt Services Fund	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-
TOTAL ASSETS	$ 779,665	$ 57,990	$ 18,966
LIABILITIES AND FUND BALANCE:			
LIABILITIES:			
Warrants Payable	$ 124,021	$ -	$ -
Encumbrances	-	-	-
Long-Term Debt - Bonds Payable	-	-	-
TOTAL LIABILITIES	124,021		
FUND BALANCE:			
Designated	-	-	18,966
Fund Balance - Undesignated	655,644	57,990	-
TOTAL FUND BALANCE	655,644	57,990	18,966
TOTAL LIABILITIES AND FUND BALANCE	$ 779,665	$ 57,990	$ 18,966

The accompanying notes are an integral part of this statement.

Governmental Fund-Type	Fiduciary Fund Types	Account Group	Totals
Capital Projects	Trust and Agency	Long-Term Debt	(Memorandum Only)
$ -	$ 17,762	$ -	$ 874,383
-	-	18,966	18,966
-	-	56,034	56,034
$ -	$ 17,762	$ 75,000	$ 949,383
$ -	$ -	$ -	$ 124,021
-	-	-	-
-	-	75,000	75,000
-	-	75,000	199,021
-	-	-	18,966
-	17,762	-	731,396
-	17,762	-	750,362
$ -	$ 17,762	$ 75,000	$ 949,383

Exhibit B

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Regulatory Basis
All Governmental Fund Types
Year Ended June 30, 2012

	Governmental Type Funds			
	General	Special Revenue	Debt Services	Capital Project
REVENUES COLLECTED:				
District Sources	$ 212,441	$ 32,858	$ 66,986	$ -
Intermediate Sources	26,092	-	-	-
State Sources	1,585,992	2,065	-	-
Federal Sources	272,113	97,985	-	-
TOTAL REVENUE COLLECTED	2,096,638	132,908	66,986	-
EXPENDITURES PAID:				
Instruction	1,256,443	-	-	-
Support Services	778,868	15,000	-	-
Non-Instruction Services	84,116	96,139	-	-
Debt Service	-	-	79,875	-
Capital Outlay	8,963	-	-	-
Other Outlays	990	6,138	-	-
TOTAL EXPENDITURES PAID	2,129,380	117,277	79,875	-
Excess of Revenues Collected Over (Under) Expenditures Paid	(32,742)	15,631	(12,889)	-
Operating Transfers In	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Used)	(32,742)	15,631	(12,889)	-
FUND BALANCE, BEGINNING OF YEAR	688,386	42,359	31,855	-
FUND BALANCE, END OF YEAR	$ 655,644	$ 57,990	$ 18,966	$ -

The accompanying notes are an integral part of this statement.

Total (Memorandum Only)
$ 312,285
26,092
1,588,057
370,098
2,296,532
1,256,443
793,868
180,255
79,875
8,963
7,128
2,326,532
(30,000)
-
(30,000)
762,600
$ 732,600

Exhibit C

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual - Regulatory Basis
Budgeted Governmental Fund Types – General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE COLLECTED:				
District Sources	$ 163,164	$ 163,164	$ 212,441	$ 49,277
Intermediate Sources	23,757	23,757	26,092	2,335
State Sources	1,543,923	1,543,923	1,585,992	42,069
Federal Sources	137,108	235,876	272,113	36,237
TOTAL REVENUE COLLECTED	1,867,952	1,966,720	2,096,638	129,918
EXPENDITURES PAID:				
Instruction	1,683,008	1,781,776	1,256,443	525,333
Support Services	779,130	779,130	778,868	262
Non-Instruction Services	84,200	84,200	84,116	84
Capital Outlay	9,000	9,000	8,963	37
Other Outlays	1,000	1,000	990	10
TOTAL EXPENDITURES PAID	2,556,338	2,655,106	2,129,380	525,726
Excess of Revenue Over (Under) Expenditures Paid	(688,386)	(688,386)	(32,742)	655,644
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Excess of Revenue Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(688,386)	(688,386)	(32,742)	655,644
FUND BALANCE, BEGINNING OF YEAR	688,386	688,386	688,386	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 655,644	655,644

The accompanying notes are an integral part of this statement.

Exhibit D

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual - Regulatory Basis
Budgeted Governmental Fund Types – Special Revenue Fund
Year Ended June 30, 2012

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE COLLECTED:			
District Sources	$ 26,890	$ 32,858	$ 5,968
Intermediate Sources	-	-	-
State Sources	-	2,065	2,065
Federal Sources	84,233	97,985	13,752
TOTAL REVENUE COLLECTED	111,123	132,908	21,785
EXPENDITURES PAID:			
Instruction	-	-	-
Support Services	46,173	15,000	31,173
Non-Instruction Services	101,159	96,139	5,020
Capital Outlays	-	-	-
Other Outlays	6,150	6,138	12
TOTAL EXPENDITURES PAID	153,482	117,277	36,205
Excess of Revenue Collected Over (Under) Expenditures Paid	(42,359)	15,631	57,990
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(42,359)	15,631	57,990
FUND BALANCE, BEGINNING OF YEAR	42,359	42,359	-
FUND BALANCE, END OF YEAR	$ -	$ 57,990	$ 57,990

The accompanying notes are an integral part of this statement.

Exhibit E

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual - Regulatory Basis
Budgeted Governmental Fund Types – Debt Service Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE COLLECTED:			
District Sources	$ 62,817	$ 66,986	$ 4,169
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUE COLLECTED	62,817	66,986	4,169
EXPENDITURES PAID:			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Debt Service	79,875	79,875	-
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	79,875	79,875	-
Excess of Revenue Collected Over (Under) Expenditures Paid	(17,058)	(12,889)	4,169
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(17,058)	(12,889)	4,169
FUND BALANCE, BEGINNING OF YEAR	31,855	31,855	-
FUND BALANCE, END OF YEAR	$ 14,797	$ 18,966	$ 4,169

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Eagletown Public Schools Independent District No. I-13 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basis -- but not the only -- criterion for including a potential component unit in 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 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 involved 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.

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue fund of the District consists of the Building Fund and the Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of constructing, 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.

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Debt Service Fund - 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 earning from temporary investments.

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

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principle. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

Account Groups

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.

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

General Long-Term Debt Account Group - This account group was established 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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district.

Memorandum Only - Total Column

The total column on the combined 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.

C. Basis of Accounting

The District prepares its basic 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 Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (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 are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when 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.

Note 1. Summary of Significant Accounting Policies (continued)

D. **Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at June 30, 2012 that were provided for in the subsequent year's budget are:

General Fund	$ -
Special Revenue Fund - Food Service	-
Total	$ -

E. **Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. In February, 2007, voters of the School District approved making all support levies permanent.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the District.

F. **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 the purchase of Certificate of Deposits. All investments are recorded at cost.

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

Fixed Assets and Property, Plant, and Equipment - The General Fixed Assets Account Group is not presented.

Note 1. Summary of Significant Accounting Policies (continued)

F. **Assets, Liabilities, and Fund Equity (continued)**

Compensated Absences - The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

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.

Due to Activity Groups - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

Reserved for Debt Service - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest bonds and judgments (to the extent of all outstanding obligations of the District).

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

G. **Revenue, Expenses, and Expenditures**

Local Sources - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions, and reimbursements.

Intermediate Sources - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amount that are different than the proportion collected within the District's boundaries.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

G. **Revenue, Expenses, and Expenditures (continued)**

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

Federal Sources - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services Expenditures - This expenditures category consists of activities which provide non-instructional services to students, staff, or the community.

Capital Outlays - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

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.

Note 1. Summary of Significant Accounting Policies (continued)

H. **Statement of Cash Flows**

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2012 accompanying financial statements.

I. **Use of Estimates**

The preparation of financial statements 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 that reporting period. Actual results could differ from those estimates.

Note 2. Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed for all real, business personal and public service property located in the District. The assessed value of the certified roll, upon which the levy for the 2012 fiscal year was based, was $5,051,512.

Ad valorem tax rates and collection for the year ended June 30, 2012 are as follows:

	Current Mills Levied	Current Year Collections	Percent Collected of Taxes Levied
General Fund	35.53	$ 173,503	96.67%
Building Fund	5.08	24,807	96.67%
Sinking Fund	13.06	63,776	96.67%
Totals	53.67	$ 262,086	

Collection of prior year ad valorem taxes are as follows:

General Fund	$ 6,830
Building Fund	968
Sinking Fund	3,211
Total	$ 11,009

In February, 2007, voters of the school district approved making all support levies permanent.

Note 3. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies, certificate of deposits and savings accounts of bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by Federal Deposit Insurance.

Investment Credit Risk – The district has no investment policy that limits its investment choices other than the limitations of state 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, 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.

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 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.

The District's policy as it related 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 the 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, 2012, the District was not exposed to custodial risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration 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 has no concentration of credit risk as defined above.

Note 3. Cash and Investments (continued)

The District's deposits and investments are in two financial institutions as follows:

	Bank Balance	Pledged Collateral	FDIC Insurance
First National Bank – Idabel, OK	$ 856,621	$ 1,000,000	$ 250,000
First Bank and Trust Broken Bow, OK	17,762	-	250,000
Total Deposits	$ 874,383	$ 1,000,000	

Note 4. General Long-Term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without the approval by the District voters. Bond issues have been approved the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 10 years from the date of issue. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

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

Obligation	Balance Outstanding 7/1/2011	Issued (Retired) During Year	Balance Outstanding 6/30/2012
2008 Go Bonds	$ 150,000	$ (75,000)	$ 75,000

The annual requirements to retire general obligations bonds as of June 30, 2012 are as follows:

	Principal	Interest	Totals
2013	$ 75,000	$ 2,438	$ 77,438
	$ 75,000	$ 2,438	$ 77,438

Note 5. Employee Retirement System

Plan Description - The District participates in the Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teacher's Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teacher's Retirement System insures a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152, or by calling (405) 521-2387.

Funding Policy - The contribution rates for the District and its employees are established by and may be amended by Oklahoma statute. The rates are applied to the employee's earning plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2012.

Basis of Accounting- The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. The pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation which was dated June 30, 2011:

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

The District's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were $192,895, $196,839 and $200,355 respectively.

The compensation for the employees covered by the System for the year ended June 30, 2012 was $1,254,415; the District's total compensation was $1,324,204.There were $59,684 contributions made by employees during the year ended June 30, 2012.

Note 6. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 7. Subsequent Events

There have been no subsequent events that would have a material adverse effect on the financial condition of the District.

Note 8. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 9. Surety Bonds

The treasurer is bonded by Western Surety Company for the sum of $100,000.

The minute clerk/encumbrances clerk is bonded by Western Surety Company for the sum of $2,000.

The Activity Fund Custodian is bonded by Western Surety Company for the sum of $1,000.

The Lunch Custodian is bonded by Western Surety Company for the sum of $2,000.

The superintendent is bonded by Western Surety Company for the sum of $100,000.

COMBINING FINANCIAL STATEMENTS

Schedule 1

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Balances – Regulatory Basis
All Special Revenue Funds
June 30, 2012

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
ASSETS:			
Cash and Cash Equivalents	$ 35,983	$ 22,007	$ 57,990
TOTAL ASSETS	$ 35,983	$ 22,007	$ 57,990
LIABILITIES:			
Outstanding Warrants	$ -	$ -	$ -
Encumbrances	-	-	-
TOTAL LIABILITIES	-	-	-
FUND EQUITY:			
Fund Balances	35,983	22,007	57,990
TOTAL LIABILITIES AND FUND BALANCES	$ 35,983	$ 22,007	$ 57,990

Schedule 2

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances – Regulatory Basis - All Special Revenue Funds
Year Ended June 30, 2012

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
REVENUES COLLECTED:			
District Sources of Revenue	$ 28,138	$ 4,720	$ 32,858
Intermediate Sources of Revenue	-	-	-
State Sources of Revenue	-	2,065	2,065
Federal Sources of Revenue	-	97,985	97,985
TOTAL REVENUE COLLECTED	28,138	104,770	132,908
EXPENDITURES:			
Instruction	-	-	-
Support Services	15,000	-	15,000
Non-Instruction Services	-	96,139	96,139
Capital Outlay	-	-	-
Other Outlays	-	6,138	6,138
TOTAL EXPENDITURES PAID	15,000	102,277	117,277
Excess of Revenues Over (Under) Expenditures Paid	13,138	2,493	15,631
OTHER RESOURCES AND USES:			
Operating Transfers In	-	-	-
Excess of Revenues and Other Resources Over (Under) Expenditures and Other Uses	13,138	2,493	15,631
FUND BALANCE, BEGINNING OF YEAR	22,845	19,514	42,359
FUND BALANCE, END OF YEAR	$ 35,983	$ 22,007	$ 57,990

Schedule 3

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances – Budget and Actual - Regulatory Basis
Special Revenue Fund Types
Year Ended June 30, 2012

	Building Fund		
	Original Budget	Final Budget	Actual
Revenues Collected:			
District Sources of Revenue	$ 23,328	$ 23,328	$ 28,138
State Sources of Revenue	-	-	-
Federal Sources of Revenue	-	-	-
TOTAL REVENUE COLLECTED	23,328	23,328	28,138
EXPENDITURES			
Instruction	-	-	-
Support Services	46,173	46,173	15,000
Non-Instruction Services	-	-	-
Capital Outlays	-	-	-
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	46,173	46,173	15,000
Excess of Revenue Over (Under) Expenditures Paid	(22,845)	(22,845)	13,138
OTHER RESOURCES AND USES:			
Operating Transfers In	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	(22,845)	(22,845)	13,138
FUND BALANCE, BEGINNING OF YEAR	22,845	22,845	22,845
FUND BALANCE, END OF YEAR	$ -	$ -	$ 35,983

Child Nutrition Fund			Total		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ 3,562	$ 3,562	$ 4,720	$ 26,890	26,890	$ 32,858
-	-	2,065	-	-	2,065
84,233	84,233	97,985	84,233	84,233	97,985
87,795	87,795	104,770	111,123	111,123	132,908
-	-	-	-	-	-
-	-	-	46,173	46,173	15,000
101,159	101,159	96,139	101,159	101,159	96,139
-	-	-	-	-	-
6,150	6,150	6,138	6,150	6,150	6,138
107,309	107,309	102,277	153,482	153,482	117,277
(19,514)	(19,514)	2,493	(42,359)	(42,359)	15,631
-	-	-	-	-	-
(19,514)	(19,514)	2,493	(42,359)	(42,359)	15,631
19,514	19,514	19,514	42,359	42,359	42,359
$ -	$ -	$ 22,007	$ -	-	$ 57,990

Schedule 4

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
Fiduciary Funds
June 30, 2012

	Agency Fund Activity Fund
ASSETS	
Cash	$ 19,686
Due From Other Funds	-
TOTAL ASSETS	$ 19,686
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Checks Outstanding	$ 1,924
TOTAL LIABILITIES	1,924
FUND BALANCE:	
Unreserved/Undesignated	7,942
Designated Student Groups	9,820
Total Fund Balance	17,762
TOTAL LIABILITIES AND FUND BALANCE	$ 19,686

Schedule 5

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Combining Statement of Changes in Assets and Liabilities – Regulatory Basis
All Agency Funds
Year Ended June 30, 2012

	Balance 7-1-11	Deposited	Net Transfers	Disbursed	Balance 6-30-12
ASSETS:					
Cash	$ 12,318	$ 94,805	$ -	$ 89,361	$ 17,762
TOTAL ASSETS	$ 12,318	$ 94,805	$ -	$ 89,361	$ 17,762
LIABILITIES AND FUND BALANCE					
Unreserved/Undesignated	$ 6,324	$ 50,056	$ 24	$ 48,462	$ 7,942
Designated - Student Groups	5,994	44,749	(24)	40,899	9,820
TOTAL LIABILITIES	$ 12,318	$ 94,805	$ -	$ 89,361	$ 17,762

Schedule 6

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
School Activity Funds
Year Ended June 30, 2012

Description	Beginning Balance 6/30/2011	Receipts	Adjustments	Disbursements	Ending Balance 6/30/2012
Athletics	$ 896.10	$ 34,927.64	$ -	$ 32,527.35	$ 3,296.39
Baseball	95.75	1,025.00	-	1,116.88	3.87
General Activity	8.44	99,105.00	24.40	925.14	98.75
FFA	1,260.78	29,914.58	-	27,933.40	3,241.96
FHA	1,185.20	2,603.04	-	2,532.13	1,256.11
High School Library	530.73	-	-	412.70	118.03
Softball	1,642.19	7,784.00	-	8,606.95	819.24
HS Academic Team	150.97	-	-	-	150.97
Student Council	61.45	(61.45)	-	-	-
Yearbook	3,628.33	4,767.50	-	4,958.33	3,437.50
Donation Fund	55.51	1,589.00	-	301.74	1,342.77
Fellowship of Christian Athletes	80.40	-	(24.40)	56.00	-
Elementary Account	-	1,613.00	-	1,185.89	427.11
Cheerleading	289.77	5,395.40	-	4,220.51	1,465.66
FFA Booster	182.37	-	-	-	182.37
High School Account	53.24	560.69	-	327.85	286.08
Class of 2008-2009	42.00	-	-	42.00	-
Class of 2009-2010	739.67	-	-	739.67	-
Class of 2010-2011	172.43	-	-	172.43	-
Class of 2011-2012	183.67	-	-	178.12	5.55
Class of 2012-2013	202.45	1,937.14	-	1,288.35	851.24
Class of 2013-2014	156.03	56.00	-	-	212.03
Class of 2014-2015	323.60	82.50	-	22.44	383.66
Class of 2015-2016	48.43	756.50	-	781.47	23.46
Class of 2016-2017	1.65	200.00	-	185.73	15.92
Class of 2017-2018	50.00	87.00	-	93.54	43.46
Class of 2018-2019	185.47	75.00	-	232.95	27.52
Class of 2019-2020	-	89.00	-	89.00	-
Class of 2020-2021	37.32	75.00	-	111.64	0.68
Class of 2021-2022	29.39	114.00	-	109.52	33.87
Class of 2022-2023	2.72	63.00	-	39.56	26.16
Class of 2023-2024	22.00	58.00	-	76.77	3.23
Class of 2024-2025	-	102.00	-	93.98	9.02
	-	-	-	-	-
Grand Total	$ 12,318.06	$ 94,804.59	$ -	$ 89,361.04	$ 17,761.61

SUPPORTING SCHEDULES

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
McCURTAIN COUNTY, OKLAHOMA
Schedule of Expenditures of Federal Awards - Regulatory Basis
Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA No.	Pass Through Grantor's Number	Program or Award Amount
U.S. Department of Education Direct Programs:			
Impact Aid (591)	84.041	S358A043601	35,561
Small Rural School(588)	84.358A	S060A041278	12,890
Indian Education Title VII(561)	84.060A		10,663
TOTAL U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I, Part A (511)	84.010	N/A	69,624
Title VI, Part B - REAP (586)		N/A	14,715
Gear Up (778)	84.334S	N/A	-
Indian Education JOM (563)	15.130	N/A	3,120
IDEA - B Flow Through (621)	84.027	N/A	47,198
IDEA - B Pre-School (641)	84.173	N/A	604
IDEA - B Early Intervening)623)	84.027	N/A	2,000
ARRA Education Jobs (790)	84.41		-
Gear Up (779)	84.334S	N/A	1,000
TOTAL STATE DEPARTMENT OF EDUCATION			
Passed Through State of Oklahoma			
Forest Reserves	10.665		49,428
Passed Through U.S. Department of Agriculture:			
Child Nutrition - Lunches	10.555	N/A	64,942
Child Nutrition - Breakfasts	10.553	N/A	26,474
ARRA CNP	10.579		-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
Passed Through U.S. Department of Human Services:			
Commodity Supplemental Food Program	10.565	N/A	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			

Balance June 30, 2011	Reciepts for Prior Year Expenditures	Reciepts for Current Year Expenditures	Expenditures	Balance June 30, 2012
-	-	35,561	35,561	-
-	454	12,890	12,890	-
-	-	10,663	10,663	-
-	454	59,114	59,114	-
336	1,402	69,143	69,143	817
-	-	14,715	14,715	-
6,617	-	-	6,617	-
-	1,365	2,585	3,120	-
1,447	10,065	42,914	48,183	462
-	65	604	604	-
-	1,896	1,298	2,000	-
16,066		16,066	16,066	-
		1,000	1,000	
24,466	14,793	148,325	161,448	1,279
-	-	49,428	49,428	-
-	-	64,942	64,942	-
-	-	26,474	26,474	-
-	-	-	-	
-	-	91,416	91,416	-
-	-	6,568	6,568	-
24,466	$ 15,247	$ 354,851	$ 367,974	$ 1,279

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
MCCURTAIN COUNTY, OKLAHOMA
Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis
Year Ended June 30, 2012

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Eagletown Public Schools, I-13, McCurtain County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

No amounts were passed through to a subrecipient.

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

EAGLETOWN PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-13
Schedule of Accountant's Professional Liability Insurance Affidavit
July 1, 2011 to June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF MCCURTAIN)

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 agreement with the Eagletown Public Schools for the audit year 2011-2012.

Johnston and Bryant, C.P.A.'S .

By Allen Bryant

Subscribed and sworn to before me this 17th day of October 2012

Kathy Mackey
Notary Public

KATHY MACKEY NOTARY PUBLIC # 11002531 EXP. STATE OF OKLAHOMA

My commission expires 03-8-2015
Commission Number 11002531

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

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 Board of Education
Eagletown Independent School District No. I-13
Eagletown, McCurtain County, Oklahoma

We have audited the fund type and account group financial statements, including budget and actual, of Eagletown Independent School District No I-13, McCurtain 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 August 28, 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 the Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagletown Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eagletown Independent School 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Eagletown Independent School 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.

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

August 28, 2012

Johnston & Byrns