

JOHNSTON & AHLSCHEWDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

FINANCIAL STATEMENTS
with
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2012

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

FINANCIAL STATEMENTS

JUNE 30, 2012

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Independent Auditors' Report

Board of Education
Elk City Independent School District No.06
Beckham County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Elk City Independent School District No. 06, Beckham County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the of Elk City Independent School District No. 06's management. 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 opinion.

As described more fully in Note 1, Elk City Independent School District No. 06 prepares its 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 our opinion, because of the school district's policy to prepare its financial statements on the basis of accounting discussed in the preceding 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 Elk City Independent School District No. 06, as of June 30, 2012, or the results of its operations for the year then ended. Further, Elk City Independent School District No. 06, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform to the regulatory basis of accounting prescribed or permitted by the Oklahoma Department of Education. The amounts that should be recorded in the general fixed assets account group is not known.

Also, in our opinion, except for the omission of the general fixed assets account group as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Elk City Independent School District No. 06, as of June 30, 2012, and the revenues

collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.



Oklahoma City, Oklahoma
February 8, 2013

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULARORY BASIS
 JUNE 30, 2012

	GOVERNMENTAL FUND TYPES			TRUST FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUP	Total - Memorandum Only
	General	Co-op	Spccial Revenue	Gifts and Grants	Student Activity	General Long- Term Debt	
ASSETS AND OTHER DEBITS							
Cash and cash equivalents	\$ 2,851,244	\$ 8,198	\$ 686,975	\$ 2,454	\$ 96,094	\$ -	\$ 3,644,965
Investments	-	-	-	-	125,000	-	125,000
Other debits:							-
Amouts to be provided for retirement of long-term debt	-	-	-	-	-	1,508,153	1,508,153
Total assets and other debits	<u>\$ 2,851,244</u>	<u>\$ 8,198</u>	<u>\$ 686,975</u>	<u>\$ 2,454</u>	<u>\$ 221,094</u>	<u>\$ 1,508,153</u>	<u>\$ 5,278,118</u>
LIABILITIES AND FUND BALANCES							
Reserve for encumbrances	\$ 235,005	\$ -	\$ 3,300	\$ -	\$ -	\$ -	\$ 238,305
Due to student groups	-	-	-	-	221,094	-	221,094
Long- term debt - capital lease	-	-	-	-	-	1,508,153	1,508,153
Total liabilities	<u>235,005</u>	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>221,094</u>	<u>1,508,153</u>	<u>1,967,552</u>
Fund balances	2,616,239	8,198	683,675	2,454	-	-	3,310,566
Total liabilities and fund balances	<u>\$ 2,851,244</u>	<u>\$ 8,198</u>	<u>\$ 686,975</u>	<u>\$ 2,454</u>	<u>\$ 221,094</u>	<u>\$ 1,508,153</u>	<u>\$ 5,278,118</u>

The accompanying notes are an integral part of these financial statements.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
 GOVERNMENTAL AND TRUST FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES COLLECTED	General	Co-op	Special Revenue	Gifts and Grants	Total - Memorandum Only
Local sources	\$ 3,260,824	\$ -	\$ 906,002	\$ -	\$ 4,166,826
Intermediate sources	637,456	-	-	-	637,456
State sources	8,755,993	71,601	15,093	-	8,842,687
Federal sources	1,323,613	-	595,162	-	1,918,775
Total revenues collected	<u>13,977,886</u>	<u>71,601</u>	<u>1,516,257</u>	<u>-</u>	<u>15,565,744</u>
 EXPENDITURES PAID					
Instruction	8,270,994	72,129	-	-	8,343,123
Support services	5,053,558	6,678	515,869	-	5,576,105
Non-instruction services	-	-	951,716	-	951,716
Facilities adquisition	-	-	92,260	-	92,260
Other outlays	187,156	-	500	900	188,556
Repayments	410	-	-	-	410
Total expenditures paid	<u>13,512,118</u>	<u>78,807</u>	<u>1,560,345</u>	<u>900</u>	<u>15,152,170</u>
Excess (deficiency) of revenues collected over (under) expenditures paid	465,768	(7,206)	(44,088)	(900)	413,574
FUND BALANCES, beginning	2,133,091	15,404	727,763	3,354	2,879,612
Estopped warrants	-	-	-	-	-
Cancelled encumbrances	17,380	-	-	-	17,380
Fund transfer	-	-	-	-	-
FUND BALANCES, ending	<u>\$ 2,616,239</u>	<u>\$ 8,198</u>	<u>\$ 683,675</u>	<u>\$ 2,454</u>	<u>\$ 3,310,566</u>

The accompanying notes are an integral part of these financial statements.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES
 REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			Special Revenue Funds		
	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance
Beginning fund balances	\$ 2,133,091	\$ 2,133,091	\$ -	\$ 727,763	\$ 727,763	\$ -
Revenues collected						
Local sources	2,626,918	3,260,824	633,906	674,945	906,002	231,057
Intermediate sources	500,000	637,456	137,456	-	-	-
State sources	8,139,161	8,755,993	616,832	12,273	15,093	2,820
Federal sources	1,140,173	1,323,613	183,440	535,401	595,162	59,761
Total revenues collected	<u>12,406,252</u>	<u>13,977,886</u>	<u>1,571,634</u>	<u>1,222,619</u>	<u>1,516,257</u>	<u>293,638</u>
Expenditures paid						
Instruction	8,270,994	8,270,994	-	-	-	-
Support Services	5,053,558	5,053,558	-	515,869	515,869	-
Non-Instructional services	-	-	-	951,716	951,716	-
Facilities acquisition and construction	-	-	-	92,260	92,260	-
Other outlays	1,214,381	187,156	1,027,225	390,537	-	390,537
Repayments	410	410	-	-	500	(500)
Total expenditures paid	<u>14,539,343</u>	<u>13,512,118</u>	<u>1,027,225</u>	<u>1,950,382</u>	<u>1,560,345</u>	<u>390,037</u>
Excess of revenues collected and beginning fund over expenditures paid	<u>\$ -</u>	<u>2,598,859</u>	<u>\$ 2,598,859</u>	<u>\$ -</u>	<u>683,675</u>	<u>\$ 683,675</u>
Estopped warrants		-			-	
Canceled encumbrances		17,380			-	
Ending fund balances		<u>\$ 2,616,239</u>			<u>\$ 683,675</u>	

The accompanying notes are an integral part of these financial statements.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies

The financial statements of the Elk City Independent School District No. 06 (“the District”) have been prepared in conformity with another 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.

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’s 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. 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies. (continued)

B. Fund Accounting and Description of Funds

The District used 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, trust 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 that are required to be accounted for in another fund. Major revenue sources include state funding passed through the Oklahoma City Public School District and various federal grants. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs, building maintenance and school construction. The general fund includes federal restricted monies that must be expended for specific programs.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual's contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Special Revenue Funds – Special revenue funds for the District include the building and child nutrition funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies. (continued)

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the following purposes: erecting, remodeling, repairing, or maintaining school buildings; purchasing furniture, equipment and computer software to be used on or for school district property; paying energy and utility costs; purchasing telecommunications services; paying fire and casualty insurance premiums for school facilities; purchasing security systems; and paying salaries of security personnel.

Child Nutrition Fund – The child nutrition fund accounts for revenues collected, including federal and state reimbursements for food service for children's programs, for meals served, and associated costs of the programs.

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.

Trust Fund Types

Trust funds are used to account for assets held in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds.

Gifts and Grants Fund - The gifts and grants fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. The fund is used to promote the general welfare of the District. Also, endowment funds allow for income derived from such funds to be expended, but the principle must remain intact.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies. (continued)

Account Group

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

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

C. Basis of Accounting and Presentation

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies. (continued)

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

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget that must be submitted to the Board of Education by October 1 for the fiscal year beginning the following July 1. The 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.

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 and trust funds of the District.

E. Assets, Liabilities and Fund Balances

Cash — The District considers all cash on hand, demand deposits and interest bearing checking accounts to be cash.

Investments — Investments consist of certificate of deposits or direct obligations of the United States Government and Agencies. All investments are recorded as cost, which approximates market value.

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

Fixed Assets and Property, Plant & Equipment — Fixed assets are recorded by the District as capital outlay expenditures in each fund. The District has not maintained the cost of fixed assets purchased in previous years. Thus, the General Fixed Asset Account Group is not presented.

Compensated Absences — the District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes. The District does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies (continued)

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

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.

F. Revenue, Expenses and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the district for its use. One such revenue is property tax revenue, as described below. Other local sources include such items as interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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 is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. 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.

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

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70,

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies (continued)

Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operation grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government entity.

An entitlement is the amount of payment to which the district is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the district are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures – Instruction includes the activities dealing directly with the interaction between teachers and students. It also may include teaching through some other approved medium such as television, radio, telephone, correspondence or other educational and technology devices.

Support Services Expenditures – Support services provide administrative, technical and logistical support to facilitate and enhance instruction.

Facilities Acquisition and Construction Services Expenditures – 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 improvement to sites.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies (continued)

Other Outlays/Uses Expenditures – Other outlays consist of items not properly classified as expenditures, but still requiring budgetary or accounting control. Other uses include private gift and endowment scholarships, outside revenue sources providing student aid and staff awards and repayment expenditures.

Interfund Transfers – During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchases assets and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers.

NOTE 2 — 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; certificates of deposit of savings and loan associations; and bank and trust companies; and savings accounts or saving certificates of savings and loan associations; and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's cash and cash equivalents include cash at June 30, 2012.

The District's investments include certificates of deposit at June 30, 2012.

The District's does not have a written management and investment policy.

Deposits and Investments – The District's cash deposits and investments at June 30, 2012, were completely insured or collateralized by federal deposit insurance, securities held by its agents in the District's name and by irrevocable letters of credit.

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. The District has no Bonds Payable. General long-term debt of the District consists of capital leases.

The following is a summary of the capital lease transactions for the year ended June 30, 2012:

Balance, July 1, 2011	\$ 440,571.24
Additions	1,375,000.00
Retirements	<u>307,418.38</u>
Balance, June 30, 2012	<u>\$ 1,508,152.86</u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3 — General Long-term Debt (continued)

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

The District records current year payments on capital leases as expenditures and records a liability for future lease payments in the general long-term debt account group.

Capital lease payable for metal roof to Great Plains National Bank has annual payments of \$55,129.99, bearing interest at 3.40% per annum. This lease is dated March 3, 2008, final payment due on February 15, 2013.

Capital lease payable for metal roof to Great Plains National Bank has annual payments of \$120,520.87, bearing interest at 3.75% per annum. This lease is dated August 24, 2009, final payment due February 15, 2014.

Capital lease payable for metal roofs and HVAC units to Interbank has annual payments of \$169,384.38, bearing interest at 4.60% per annum. This lease is dated October 14, 2011, final payment due February 15, 2021.

Future minimum lease payments for the next five years are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$278,135.38	\$67,099.86	\$ 345,235.24
2014	234,450.87	55,654.38	290,105.25
2015	123,788.32	45,796.06	169,584.38
2016	129,482.58	40,101.80	169,584.38
2017	<u>135,345.23</u>	<u>34,239.15</u>	<u>169,584.38</u>
	<u>\$901,202.38</u>	<u>\$242,891.25</u>	<u>\$ 1,144,093.63</u>

NOTE 4 — Employee Retirement System

The District participates in the state-administered Teachers' Retirement Systems of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date of the first contribution made to the System. The System is administered by a board of trustees, which acts as a fiduciary for investing the funds and governing the administration of the System.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 — Employee Retirement System (continued)

The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

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

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

The District is required to contribute 9.50% of applicable compensation for the year ended June 30, 2012. Participating members are required to contribute 7.0% on all applicable compensation. The District contributed \$835,722 to the System for the year ending June 30, 2012

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation, in millions, dated June 30, 2012, is as follows:

Actuarial value of assets	\$10,190.5
Actuarial accrued liability – entry age method	<u>18,588.0</u>
Unfunded actuarial accrued liability	<u>\$ 8,397.5</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 Teachers' 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 become due.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 — Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, employees' health and life and natural disasters for which the District carries 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 — Contingencies and Commitments

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.

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments against the District.

NOTE 8 — Subsequent Events

Management has evaluated all subsequent events through February 8, 2013, the date the financial statements were available to be issued.

NOTE 9 — Surety Bonds

The District has a public official position schedule bond with Western Surety Company, bond number 69990338, for an annual term ending on December 10 of each year. As of June 30, 2012, the following positions were insured for the amounts indicated: Encumbrance Clerk, Minutes Clerk and Activity Fund Custodian - \$5,000; Treasurer - \$100,000; Superintendent - \$100,000.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2012

ASSETS	Building	Child Nutrition	Total Special Revenue Funds
Cash and cash equivalents	\$ 532,738	\$ 154,237	\$ 686,975
Investments	-	-	-
Total assets	\$ 532,738	\$ 154,237	\$ 686,975

LIABILITIES AND FUND BALANCES

Reserve for encumbrances	\$ 3,300	\$ -	\$ 3,300
Total liabilities	3,300	-	3,300
Fund balances	529,438	154,237	683,675
Total liabilities and fund balances	\$ 532,738	\$ 154,237	\$ 686,975

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	Building	Child Nutrition	Total - Special Revenue Funds
	\$	\$	\$
REVENUES COLLECTED			
Local sources	566,997	339,005	906,002
Intermediate sources	-	-	-
State sources	376	14,717	15,093
Federal sources	-	595,162	595,162
Total revenues collected	567,373	948,884	1,516,257
EXPENDITURES PAID			
Instruction	-	-	-
Support services	515,869	-	515,869
Non-instruction services	-	951,716	951,716
Facilities adquisition	92,260	-	92,260
Other outlays	-	500	500
Total expenditures paid	608,129	952,216	1,560,345
Excess (deficiency) of revenues collected over (under) expenditures paid	(40,756)	(3,332)	(44,088)
FUND BALANCES, beginning	570,194	157,569	727,763
Estopped warrants	-	-	-
Cancelled encumbrances	-	-	-
Fund transfer	-	-	-
FUND BALANCES, ending	\$ 529,438	\$ 154,237	\$ 683,675

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED SPECIAL REVENUE FUND TYPES
 REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance
Beginning fund balances	\$ 570,194	\$ 570,194	\$ -	\$ 157,569	\$ 157,569	\$ -
Revenues collected						
Local sources	405,379	566,997	161,618	269,566	339,005	69,439
Intermediate sources	-	-	-	-	-	-
State sources	-	376	376	12,273	14,717	2,444
Federal sources	-	-	-	535,401	595,162	59,761
Total revenues collected	<u>405,379</u>	<u>567,373</u>	<u>161,994</u>	<u>817,240</u>	<u>948,884</u>	<u>131,644</u>
Expenditures paid						
Instruction	-	-	-	-	-	-
Support Services	515,869	515,869	-	-	-	-
Non-Instructional services	-	-	-	951,716	951,716	-
Facilities acquisition	92,260	92,260	-	-	-	-
Other outlays	367,444	-	367,444	23,093	500	22,593
Total expenditures paid	<u>975,573</u>	<u>608,129</u>	<u>367,444</u>	<u>974,809</u>	<u>952,216</u>	<u>22,593</u>
Excess of revenues collected and beginning fund over expenditures paid	<u>\$ -</u>	<u>529,438</u>	<u>\$ 529,438</u>	<u>\$ -</u>	<u>154,237</u>	<u>\$ 154,237</u>
Estopped warrants		-			\$ -	
Cancelled encumbrances		-			-	
Ending fund balances		<u>\$ 529,438</u>			<u>\$ 154,237</u>	

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF CHANGES IN CASH BALANCE- ACTIVITY FUND
 REGULATORY BASIS
 JULY 1, 2011 TO JUNE 30, 2012

	Balance 7/1/11	Receipts	Disbursements	Adjustments	Balance 6/30/12
	\$	\$	\$	\$	\$
Adult Student Fund	1,586	6,386	6,783	-	1,189
Agriculture	25,189	92,042	82,418	167	34,980
Alternative Student Fund	812	344	158	-	998
Annual	4,097	13,000	11,035	2	6,064
Annual-Elementary	748	13,044	8,589	-	5,203
Art	101	59	32	-	128
Athletic	20,220	220,054	169,336	5,733	76,671
Athletic Concession	2,786	-	952	-	1,834
Band	10,021	47,282	50,351	208	7,160
Baseball	2,504	5,462	3,755	-	4,211
Basketball-Boys	-	-	-	-	-
Basketball-Girls	18	5,662	5,411	-	269
Cheerleading-Junior High	1,305	12,093	13,259	50	189
Chorus	2,069	18,133	17,024	-	3,178
Clearing	-	65,498	65,498	-	-
Cross Country Account	4,257	10,306	7,493	-	7,070
Life Skills	161	-	116	-	45
Fairview Elementary	7,385	12,581	12,293	169	7,842
Pioneer	943	4,342	3,220	-	2,065
Pioneer Center	5,000	25,792	25,792	-	5,000
Northeast	5,165	24,305	21,872	457	8,055
Grandview	2,257	7,576	7,616	-	2,217
Junior High School	2,960	11,147	13,465	439	1,081
High School	5,192	15,732	15,948	-	4,976
FBLA	132	-	67	-	65
FOCLA	165	1,660	1,754	-	71
Football	5,974	68,227	70,497	-	3,704
Miscellaneous Account	443	2,350	1,779	27	1,041
Gingersnaps	877	26,945	24,377	75	3,520
Golf	-	-	-	-	-
Honor Society-ECHS	362	1,207	697	-	872
Junior Class	9,307	52,295	56,663	1,046	5,985
Senior Class	2,074	2,258	2,289	-	2,043
Library-Grandview	1,357	9,646	9,194	-	1,809
Library-Junior High	730	259	807	-	182
Library-High School	754	158	859	-	53
Lunch	-	338,901	338,901	-	-
Petty Cash	-	260	260	-	-
Scholarship Fund	134	998	700	-	32
Science-Math	75	-	-	-	75
Soccer	387	-	22	-	365
Softball Account	5,999	13,342	16,400	15	2,956
Spanish Club	12	-	-	-	12
Special Services	4,523	772	2,133	25	3,187
Musical Productions	601	1,635	1,228	154	1,162
Subtotal	\$ 138,682	\$ 1,131,353	\$ 1,071,043	\$ 8,567	\$ 207,559

BLK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF CHANGES IN CASH BALANCE- ACTIVITY FUND
 REGULATORY BASIS
 JULY 1, 2011 TO JUNE 30, 2012
 CONTINUED

	Balance 7/1/11	Receipts	Disbursements	Adjustments	Balance 6/30/12
Student Council	\$ 916	\$ 12,710	\$ 13,367	\$ -	\$ 259
Student Council-Junior High	1,137	3,313	4,377	-	73
Student Council-Grandview	2,209	514	1,714	-	1,009
Student Science Fund-Grandview	6,082	11,454	10,370	-	7,166
Tech-Ed	2,568	4,673	5,741	42	1,542
Tennis	47	1,116	1,131	-	32
Wrestling	302	690	-	-	992
Yearbook-Junior High	2,462	5,580	5,580	-	2,462
Subtotal	\$ 15,723	\$ 40,050	\$ 42,280	\$ 42	\$ 13,535
Subtotal Page 1	138,682	1,131,353	1,071,043	8,567	207,559
Total:	\$ 154,405	\$ 1,171,403	\$ 1,113,323	\$ 8,609	\$ 221,094

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Project Number	Pass-Through Grantor's Number	Revenuc Recognized	Expenditures
<u>U.S. Department of Education</u>					
Direct Programs					
Title VII, Part A Indian Education	84.060	561	N/A	\$ 34,782	\$ 34,782
Passed through State Department of Education					
Adult Basic Education	84.002	731	73-6017987*	135,924	111,202
Title I - Basic Program	84.010	511	73-6017987*	391,908	434,268
Title I - Part D, Subpart 2, Local Delinquent Program	84.010	532	73-6017987*	7,546	6,754
Special Education	84.027	613/621	73-6017987*	457,335	419,775
Special Education - Preschool (IDEA-B)	84.173	641	73-6017987*	10,118	8,654
Drug-Free Schools	84.186	551	73-6017987*	269	21,352
Title II, Part D, Enhancing Education Through Technology	84.318	546/548	73-6017987*	3,637	
Title VI, Part B	84.358	587	73-6017987*	77,950	96,473
Title III Language Instruction	84.365	572	73-6017987*	11,217	
Title II - Part A/Training	84.367	541	73-6017987*	97,739	75,559
Passed through Oklahoma State Regents for Higher Education					
Gear Up	84.334	771	Not Provided	69,342	56,724
Passed through Oklahoma Department of Vocational and Technical Education					
Carl D. Perkins - Vocational Education -Basis and Policy Leadership Development Grants	84.048	421	Not Assigned*	25,846	27,715
<u>U.S. Department of Agriculture</u>					
Passed through State Department of Education -Cash Assistance					
School Breakfast Program	10.553	764	73-6017987*	169,892	169,892
National School Lunch Program	10.555	763	73-6017987*	425,270	425,270
Passed through State Department of Human Services-Non Cash Assistance					
Commodities	10.553 & 10.555	N/A	73-6017987*	36,862	36,862
TOTAL FEDERAL AWARDS				\$ 1,955,637	\$ 1,925,282

* Provided by State Agency

Commodities received, totaling \$36,862 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

JOHNSTON & AHLSCHEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58th STREET, SUITE 325C - OKLAHOMA CITY, OKLAHOMA 73112 - VOICE & FAX (405) 917-7272

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*

Independent Auditors' Report

Board of Education

Elk City Independent School District No.06
Beckham County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Elk City Independent School District No.06, Beckham County, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 8, 2013. Our report was adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United State of America, and qualified with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education for the effect on the financial statements for the omission of the general fixed assets account group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of

material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District's Board of Education, management, 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.

A handwritten signature in black ink, appearing to read "John Fox" followed by a stylized flourish.

John Fox, P.C.

Oklahoma City, Oklahoma

February 8, 2013

JOHNSTON & AHLSCHEWDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58TH STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272

Report on Compliance With Requirements That Could Have a Direct
And Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

Board of Education
Elk City Independent School District No. 06
Beckham County, Oklahoma

Compliance

We have audited Elk City Independent School District No. 06'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, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. 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 Elk City Independent School District No. 06's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Elk City Independent School District No. 06's compliance with those requirements.

In our opinion, Elk City Independent School District No. 06 complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Elk City Independent School District No. 06 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information of the District's Board of Education, management, 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.

Jonathan S. Alford, P.C.

Oklahoma City, Oklahoma
February 8, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: *adverse opinion*

Internal control over financial reporting:

Material weakness(es) identified:

Reportable condition(s) identified that are

not considered to be material weakness(es)?

Noncompliance material to financial statements noted?

_____ yes no

_____ yes none reported

_____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Reportable condition(s) identified that are

not considered to be material weakness(es)?

_____ yes no

_____ yes none reported

Type of auditors’ report issued on compliance for major programs: *unqualified.*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes no

Identification of major programs:

CFDA Number(s)

84.002

84.010

10.553 & 10.555

84.027 & 84.173

Name of Federal Program or Cluster

Adult Basic Education

Title I – Basic Program

Nutrition Cluster

Special Education Cluster

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? yes _____ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Year Audit Findings

None.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
SCHEDULE OF ACCOUNTANTS'
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JUNE 30, 2012

STATE OF OKLAHOMA)
) SS:
COUNTY OF OKLAHOMA)

BEFORE ME, the undersigned auditing firm, Johnston & Ahlschwede, P.C., whose authorized agent, Linda Ahlschwede, is of lawful age, being first duly sworn on her 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* during the entire audit engagement with Elk City Independent School District No. 06, for the audit year ended June 30, 2012.

JOHNSTON & AHLSCHEWDE, P.C.
Auditing Firm



Linda Ahlschwede, Authorized Agent

SUBSCRIBED AND SWORN before me this 8th day of February 2013

My Commission Expires:

Notary # 07010410

Commission Expires October 29, 2015

(SEAL)



Notary Public



ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2012

Western Surety Company – Public Official Position Schedule Bond #69990338 – continuous policy
originally dated December 10, 2005. Following are positions and amounts in force as of June 30, 2012:

Encumbrance Clerk	\$ 5,000
Minutes Clerk	\$ 5,000
Activity Fund Custodian	\$ 5,000
Treasurer	\$100,000
Superintendent	\$100,000

Janet Barresi
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
Oklahoma County, Oklahoma
June 30, 2012

The annual independent audit for the Elk City Independent School District No. 06, was presented to the Board of Directors in a meeting on February 11, 2013, by Johnston & Ahlschwede, P.C.

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

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

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

Board of Directors President

Board of Directors Member

Board of Directors Vice-President

Board of Directors Member

Board of Directors Member

Board of Directors Member

Board of Directors Member

Board of Directors Member

Board of Directors Member

Subscribed and sworn to before me on this _____ day of _____, 20____.
My commission expires on _____ day of _____, 20____.

Notary Public