

***Lawton Independent School District No. 8***  
***Comanche County, Oklahoma***

Financial Statements  
Year-End June 30, 2012

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Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
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 June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lawton Independent School District No. 8, Comanche County, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawton Independent School District No. 8, Comanche County, Oklahoma's financial statements as a whole. The combining nonmajor fund financial statements and statement of changes in activity fund subaccounts, 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. The information in the other supplementary information section as listed in the accompanying table of contents 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 financial statements as a whole. The other information as listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

January 15, 2013

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

**Introduction**

The discussion and analysis of Lawton Public Schools (the District) financial performance provides an overall review of district financial activities for the fiscal year ended June 30, 2012. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2011 and 2012 and a comparative analysis of financial information from those years is presented to aid the reader in a more meaningful understanding of the District's financial performance for Fiscal Year 2012.

**Financial Highlights**

- ❖ Fiscal Year 2012 operations generated significant budget activity for the General Fund. Current information is presented along side that of Fiscal Year 2011 to illustrate changes in General Fund balance. Both years are presented on the modified accrual basis of accounting.

	<i>Beg Balance</i>	<i>Revenue</i>	<i>Expenses</i>	<i>End Balance</i>
FY2011	\$1,694,127	\$123,261,108	\$121,985,343	\$2,969,892
FY2012	\$2,969,892	\$117,918,674	\$119,395,108	\$1,493,458

- ❖ The District's net assets exceeded its liabilities by \$69,297,927 as of June 30, 2012. This was an increase of \$1,249,112 over the June 30, 2011 ending net assets.
- ❖ The District's bond fund has made a huge impact in numerous areas. Much needed renovations and repairs on the very old buildings in the District, to include the classroom additions at Sullivan Village, Cleveland, Pioneer Park, Eisenhower Elementary, MacArthur High School, and Lawton High School were complete; the Doors and Hardware project at Sheridan Road, was completed; the partial re-roof at Eisenhower High School and the Learning Tree were completed; the park lot/fire lane at MacArthur High School was completed; and the HVAC project at Eisenhower High School was started .
- ❖ Net Assessed valuation amounts and growth rates are presented below. Prospects for continued growth in local revenues appear to be good. Net Assessed valuation provides the basis for the calculation of county Ad Valorem (property) taxes that are distributed to the District each year. The benefit of this growth impacts both the general and building funds.

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Growth</u>
2009	\$370,387,780.00	100.0%
2010	\$390,273,140.00	5.1%
2011	\$408,988,549.00	4.6%
2012	\$420,680,653.00	2.8%

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. These statements are organized so the user can understand the Lawton School District as a financial whole. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The governmental activities of the District include regular and special education, transportation and administration and include the child nutrition program. The government-wide financial statements can be found on pages 14-15 of this report.

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

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spending, resources available at the end of the fiscal year. Such information may be useful in evaluating the District near-term financing requirements. Most of the District's basic services are included here, such as regular and special education, transportation, administration, and the child nutrition program. Property taxes, federal and state grants, and state aid formula finance most of these activities.

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

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund (11), sinking fund (41), and the municipal tax fund (25), all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation which includes the co-op fund (12), building fund (21), bond fund (31), student activity(60) and the gifts fund (81).

The District adopts an annual appropriated budget for its general and building funds. A budgetary comparison statement has been provided for the general fund and building fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 16-17 and a reconciliation of the government wide totals can be found on page 18.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the government- wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains the endowment fund (50) (private purpose trust) as a fiduciary fund. The fiduciary fund financial statements can be found on pages 22-23 of this report.

**Proprietary Funds.** Proprietary funds are used to account for resources held for workers compensation (83) claims and sick leave (85) incentives. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The proprietary fund financial statements can be found on pages 19-21 of this report.

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 24-37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the general fund. Required supplementary information can be found on pages 39-40 of this report. Other supplementary information can be found on the table of contents for additional analysis.

**Government-Wide Financial Analysis**

**Statement of Net Assets.** Net assets serve over time as a useful indicator of a government's financial position. The change in net assets is important because it identifies whether the financial position of the District has improved or diminished. At the close of the FY 2012, the District's assets exceeded liabilities by \$69,297,925. This was an increase of \$1,249,112 over the close of the FY 2011.

**Lawton Independent School District No. 8**  
**Comanche County**  
**Comparative Statement of Net Assets**  
**FY 11 vs. FY 12**

**Governmental Activities**

	FY 2011	FY 2012	Difference	% Change
<b>Assets</b>				
Current assets	\$ 59,407,127	\$ 47,219,544	\$ (12,187,583)	-21%
Capital and other assets	\$ 60,782,814	\$ 67,993,178	\$ 7,210,364	12%
Total assets	\$ 120,189,941	\$ 115,212,722	\$ (4,977,219)	-4%
<b>Liabilities</b>				
Current liabilities	\$ 26,305,058	\$ 16,966,476	\$ (9,338,582)	-36%
Long-term liabilities	\$ 25,836,065	\$ 28,948,319	\$ 3,112,254	12%
Total liabilities	\$ 52,141,123	\$ 45,914,795	\$ (6,226,328)	-12%
<b>Net assets</b>				
Invested in capital assets, net of related debt	\$ 54,476,363	\$ 58,720,173	\$ 4,243,810	13%
Restricted	\$ 11,522,562	\$ 9,046,194	\$ (2,483,368)	-22%
Unrestricted	\$ 2,049,890	\$ 1,531,560	\$ (518,330)	-25%
Total net assets	\$ 68,048,815	\$ 69,297,927	\$ 1,249,112	6%

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

By far the largest portion of the District's net assets reflects its investment in capital assets, less any related debt that is still outstanding that was used to acquire those assets. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets, \$1,531,560 may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets.

**Change in Net Assets.** Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net Assets and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

**Lawton Independent School District No. 8**  
**Comanche County**  
**Comparative Change in Net Assets**  
**FY 11 vs. FY 12**

**Governmental Activities**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>Difference</b>	<b>% Change</b>
Revenues:				
Program Revenues				
Charges for services	\$ 5,830,313	\$ 6,809,321	\$ 978,008	14%
Operating				
Grants/Contributions	\$ 29,072,536	\$ 20,163,101	\$ (8,909,435)	-44%
Capital Grants/Contributions	\$ -	\$ 4,452	\$ 4,452	100%

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

General Revenues				
Property Taxes	\$ 19,877,569	\$ 18,996,548	\$ (881,021)	-5%
State Formula Aid	\$ 60,771,273	\$ 61,552,026	\$ 780,753	1%
Federal Formula Aid	\$ 7,879,178	\$ 7,084,303	\$ (794,875)	-11%
General Taxes	\$ 15,765,955	\$ 16,677,901	\$ 911,946	5%
Other	\$ 429,351	\$ 435,347	\$ 5,996	1%
Total Revenue	<u>\$139,626,175</u>	<u>\$131,722,999</u>	<u>\$ (7,903,176)</u>	-6%
Expenditures:				
Instruction	\$ 69,174,198	\$ 64,707,017	\$ (4,467,181)	-7%
Support Services	\$ 50,441,652	\$ 52,227,889	\$ 1,786,237	3%
Non-instruction services	\$ 10,511,286	\$ 9,279,286	\$ (1,232,000)	-13%
Other	\$ 3,733,781	\$ 4,259,695	\$ 525,914	12%
Total Expenditures	<u>\$133,860,917</u>	<u>\$130,473,887</u>	<u>\$ (3,387,030)</u>	-3%
Inc/Dec (net assets)	<u>\$ 5,765,258</u>	<u>\$ 1,249,112</u>	<u>\$ (4,516,146)</u>	-362%

Substantial fluctuations occurred in specific government activity categories. Operating grants and contributions decreased due to the receipt of the leased portion of the City Sales Tax revenue being deposited in the prior year and none in the current year. Decreases were also seen in the non-instruction services area largely due to the fact that federal grant allocations as well as state aid revenue was down leaving less revenue for non-instructional spending as the obligations for salary/benefits and utilities continue to increase.

It must also be noted that the District's net assets decrease by \$4.5 million over the FY 2011 school year.

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

**Governmental funds.** The general fund is the chief operating fund of the District. At June 30, 2012, the general fund cash fund balance was \$1,493,458 with (\$3,867) unassigned, \$1,118,505 assigned and \$378,820 non-spendable.

The costs of the District's main activities: instruction, support services, non-instruction services, capital outlay, and debt service are shown in comparison from FY11 to FY12.

**Lawton Independent School District No. 8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)  
For the Fiscal Year Ending June 30, 2012**

**Lawton Independent School District No. 8  
Comanche County  
Comparison of Total Costs  
FY 11 vs. FY 12**

	<i>FY 2011</i>	<i>FY 2012</i>	<i>Change</i>	<i>% Change</i>
Instruction	\$68,746,354	\$65,019,217	(\$3,727,137)	-5.73%
Support services	\$50,173,104	\$52,300,509	\$2,127,405	4.07%
Non-instructional services	\$8,387,783	\$8,394,147	\$6,364	0.08%
Capital outlay	\$5,525,106	\$10,477,037	\$4,951,931	47.26%
Debit Service	\$7,171,753	\$8,067,688	\$895,935	11.11%
Other outlays	\$771,851	\$618,660	(\$153,191)	-24.76%
<b>Total cost of services</b>	<b>\$140,775,951</b>	<b>\$144,877,258</b>	<b>\$4,101,307</b>	<b>2.83%</b>

The total costs of the District increased by \$4.1 million in FY 2012 over FY 2011. The most significant increases were in the area of Capital Outlay and Support Services increasing by \$4,951,931 and \$2,127,405 over FY 2011, respectively.

There were also a substantial decreases in Instruction by \$3,727,137 due to the decrease in staff members with the two school closings (Howell and Douglass) and an increase in capital outlay of \$4,951,931 resulting from the construction of the new classrooms at Sullivan Village, Cleveland, Pioneer Park, Eisenhower Elementary, MacArthur High School, and Lawton High School.

**Capital Assets and Debit Administration**

**Capital Assets.** The greatest increase in the District's capital assets comes in the areas of Buildings; the increase was due the completion of classroom additions at Sullivan Village, Cleveland, Pioneer Park, Eisenhower Elementary, MacArthur High School, and Lawton High School

Overall the capital assets increased by \$9.8 million before depreciation and \$7.2 million net, after depreciation.

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

**Lawton Independent School District No. 8**  
**Comanche County**  
**Comparison of Capital Assets, Net of Depreciation**  
**FY 11 vs. FY 12**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>Increase/ Decrease</b>	<b>% Change</b>
Capital Assets (not depreciated)				
Land	\$3,102,268.94	\$3,102,268.94	\$0.00	0%
Construction in Progress	\$3,175,812.00	\$1,291,650.81	(\$1,884,161.19)	-146%
Total Capital Assets (not depreciated)	\$6,278,080.94	\$4,393,919.75	(\$1,884,161.19)	-43%
Capital Assets (depreciated)				
Buildings	\$68,729,352.63	\$78,048,377.78	\$9,319,025.15	12%
Improvements	\$17,428,642.75	\$18,920,529.71	\$1,491,886.96	8%
Furniture and Equipment	\$3,785,990.92	\$4,090,133.80	\$304,142.88	7%
Musical Instruments	\$1,518,571.25	\$1,518,571.25	\$0.00	0%
Computers	\$9,386,907.13	\$9,643,659.06	\$256,751.93	3%
Vehicles	\$8,194,757.78	\$8,556,179.78	\$361,422.00	4%
Total Capital Assets (depreciated)	\$109,044,222.46	\$120,777,451.38	\$11,733,228.92	10%
Accumulated Depreciation				
Buildings	(\$34,773,703.13)	(\$35,912,551.57)	(\$1,138,848.44)	3%
Improvements	(\$3,105,406.39)	(\$3,932,722.40)	(\$827,316.01)	21%
Furniture and Equipment	(\$2,516,645.18)	(\$2,744,752.19)	(\$228,107.01)	8%
Musical Instruments	(\$1,465,722.73)	(\$1,481,896.06)	(\$16,173.33)	1%
Computers	(\$6,079,741.70)	(\$6,665,578.00)	(\$585,836.30)	9%
Vehicles	(\$6,598,272.26)	(\$6,440,692.38)	\$157,579.88	-2%
Total Accumulated Depreciation	(\$54,539,491.39)	(\$57,178,192.60)	(\$2,638,701.21)	5%
Total Net Capital Assets (depreciated)	\$54,504,731.07	\$63,599,258.78	\$9,094,527.71	14%
<b>Net Government Activity - Capital Assets</b>	<b>\$60,782,812.01</b>	<b>\$67,993,178.53</b>	<b>\$7,210,366.52</b>	<b>11%</b>

**Lawton Independent School District No. 8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)  
For the Fiscal Year Ending June 30, 2012**

Additional information concerning the District's Capital Assets is contained in the notes to the financial statements on pages 36.

**Debt.** At the close of FY 2012 the Districts Bonds Payable decreased by net \$140,000. The accrued compensated absences decreased slightly by only \$33,785; -2% over FY 2012. The Lease Revenue Note Payable of \$20,000,000 in conjunction with the City Sales Tax passed for the renovation and construction of various school sites decrease by \$3,865,000. The District's Judgment Payable decreased by \$483,333, after making the payment of \$483,333 toward \$1,450,000 Judgment from the retired teachers.

***Comparison of Long-Term Liabilities  
FY 11 vs. FY 12***

	<b><i>FY 2011</i></b>	<b><i>FY 2012</i></b>	<b><i>Increase/ Decrease</i></b>	<b><i>% Change</i></b>
Bonds Payable	\$12,000,000	\$11,860,000	-\$140,000	-1%
Accrued compensated absences	\$1,925,573	\$1,891,788	-\$33,785	-2%
Lease Note Payable	\$16,110,000	\$12,245,000	-\$3,865,000	-32%
Lease Escrow/TAC Energy Project	\$2,133,844	\$1,984,865	-\$148,979	-8%
Judgment	\$1,450,000	\$966,667	-\$483,333	0%
<b><i>Total long-term liabilities</i></b>	<b><u>\$33,619,416</u></b>	<b><u>\$28,948,318</u></b>	<b><u>-\$4,671,098</u></b>	<b><u>-11%</u></b>

Additional information concerning the District's long-term liabilities is contained in the notes to the financial statements on page 33.

**General Fund Budgetary Highlights**

During the 2011-2012 year, the District estimated \$119,360,328 general fund revenue to be collected with \$81,691,865 of that revenue as district wide. However, the general fund actually collected \$121,050,244 with \$81,849,914 designated as district wide revenue. This was a 1.4% increase in estimated total revenue and only a .19% increase in the District wide portion of the revenue. The total revenue was relatively flat due to the funding levels at the state and federal level not increasing over the prior year.

The FY'12 budget also projected expenditures of \$119,360,328 leaving the reserve at \$0. The actual general fund expenditures came to \$119,395,109 with \$78,208,032 spent in district wide expenditures.

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**  
**For the Fiscal Year Ending June 30, 2012**

The FY'12 budget projected salaries at \$80,454,239 and \$23,174,114 for benefits; totaling \$103,628,353. The District closed the year with salaries and benefits totaling \$105,184,466; \$81,953,815 in salaries and \$23,230,651 in benefits.

**Current & Future Issues**

The FY'13 projected budget forecasts revenue to be less than the FY'12 projected revenue collected. The general fund projected revenue is \$112,989,277 an overall decrease of \$8,060,007 from the FY'12 actual revenue collected. The projected budget decreases is largely due to decreases in state aid and impact aid funds. Salaries are projected at \$76,516,438 and benefits \$22,591,987; totaling \$99,108,425. The decrease in salary and benefits is a result of a decrease in staff due to the closing of Country Club Heights.

The FY'13 building levy portion of this budget will decrease by \$664,137 due to the carryover from FY'11 decreasing by \$385,535 as a result of general fund utilities being paid by the levy and a \$349,691 carryover from a donation from the McMahon Foundation for renovations at Lawton Senior High School being spent, plus a small increase of approx. \$70,000 in ad valorem collections.

Pending the approval of a \$37 million Department of Defense grant that will be used to construct a new elementary school at Ft. Sill; the building levy will appear much larger; however, these funds are designated and cannot be used to fund district wide expenditures.

The FY'13 budget will for the ninth year include a bond fund. These funds have be used for security, new roofs at various schools, upgrade to electrical systems, flooring and restrooms at 31 schools, the construction of gymnasiums at 11 elementary sites, needed improvements in the cafeterias, parking lots, athletic tracks at the three high schools and much need classroom space at 4 elementary schools.

Final projects funded by the City Sales Tax revenue are slated to begin during the FY'13 school year to include the matching portion of the construction of the new elementary school at Ft. Sill along with the purchase of buses and renovations at Almor West.

**Contacting the District's Chief Financial Officer**

This financial report is intended to provide our citizens, taxpayers, investors and creditors with a general overview of District's finances and to confirm our commitment to accountability for the monies entrusted to our stewardship. If you have questions about this report or need additional financial information, inquiries should be directed to Mrs. Diane Branstetter, Director of Business Operations, Lawton Public Schools, 753 NW Ft. Sill Blvd., Lawton, Oklahoma 73501.

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## **BASIC FINANCIAL STATEMENTS**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ (214,686)
Investments	37,526,162
Property Tax Receivables, Net	1,977,460
Due from Other Governments	3,987,958
Other Receivables	1,360,542
Notes Receivable	178,500
Prepaid Maintenance Expense	1,984,864
Inventories	418,744
Capital Assets:	
Nondepreciated Capital Assets	4,393,920
Depreciated Capital Assets, Net of Depreciation	<u>63,599,258</u>
 Total Assets	 <u>\$ 115,212,722</u>
 <b>LIABILITIES AND EQUITY</b>	
Current Liabilities	
Accounts Payable	1,186,265
Salaries and Related Benefits	15,418,366
Accrued Interest	200,168
Deferred Revenues	161,677
Long -Term Liabilities	
Due within One Year	7,814,271
Due in More than One Year	<u>21,134,048</u>
 Total Liabilities	 <u>\$ 45,914,795</u>
 Net Assets	
Invested in Capital Assets	\$ 58,720,173
Restricted for	
Building Services	935,762
Debt Service	5,919,412
Other	358,589
Scholarships	1,060
School Organizations	1,831,371
Unrestricted	1,531,560
 Total Net Assets	 <u><u>\$ 69,297,927</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	
<i>Functions/Programs</i>					
Primary Government					
Governmental Activities					
Instruction	\$ 64,707,017	\$ 592,401	\$ 14,436,742	\$ 4,452	\$ (49,673,422)
Support Services	52,227,889	2,652,848	232,972	-	(49,342,069)
Operation of Noninstructional Services	9,279,286	3,564,072	5,493,387	-	(221,827)
Interest on long-term debt	673,733	-	-	-	(673,733)
Depreciation - unallocated	3,585,962	-	-	-	(3,585,962)
Total Governmental Activities	\$ 130,473,887	\$ 6,809,321	\$ 20,163,101	\$ 4,452	\$ (103,497,013)
General Revenues					
Taxes					
Property taxes, levied for general purposes					15,005,679
Property taxes, levied for building purposes					2,145,472
Property taxes, levied for sinking fund purposes					1,845,397
General Taxes					16,677,901
State aid - formula grants					61,552,026
Federal aid - formula grants					7,084,303
Investment Earnings					435,347
Total General Revenues					\$ 104,746,125
Change in Net Assets					\$ 1,249,112
Net Assets - Beginning					68,048,815
Net Assets - Ending					\$ 69,297,927

See Notes to Financial Statements

**Lawton Independent School District No. 8**  
**Comanche County, Oklahoma**  
**Balance Sheet – Governmental Funds**  
**June 30, 2012**

	General Fund	Municipal Tax Fund	Sinking Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and Cash Investments	\$(1,694,920)	8,891,027	1,760,847	\$ 2,230,686	\$ 11,187,640
Pooled Cash and Investments	14,017,643		4,833,503	6,897,330	25,748,476
Property Taxes Receivable, Net	1,502,438		295,105	179,917	1,977,460
Other Receivables	528,751	151,612	680,125	54	1,360,542
Due from Other Governments	3,775,008	-	-	212,950	3,987,958
Prepaid Judgments	-		16,765	-	16,765
Due from Other Funds	61,809	-	-	16,765	78,574
Inventories - Supplies, materials	378,820	-	-	-	378,820
Total Assets	\$ 18,569,549	\$ 9,042,639	\$ 7,586,345	\$ 9,537,702	\$ 44,736,235
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 240,553	\$ 762,291	\$ -	\$ 183,421	\$ 1,186,265
Salaries and Related Benefits Payable	15,267,225	-	-	151,141	15,418,366
Due to Other Funds	-		16,765	61,809	78,574
Deferred Revenues	1,568,313	-	281,651	166,219	2,016,183
Total Liabilities	\$ 17,076,091	\$ 762,291	\$ 298,416	\$ 562,590	\$ 18,699,388
<b>Fund Balances</b>					
Nonspendable	\$ 378,820	\$ -	\$ -	\$ -	\$ 378,820
Restricted		8,276,188	7,287,929	7,143,744	22,707,861
Committed	-	-	-	1,831,368	1,831,368
Assigned	1,118,505	4,160	-	-	1,122,665
Unassigned	(3,867)	-	-	-	(3,867)
Total Fund Balances	\$ 1,493,458	\$ 8,280,348	\$ 7,287,929	\$ 8,975,112	\$ 26,036,847
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,569,549</b>	<b>\$ 9,042,639</b>	<b>\$ 7,586,345</b>	<b>\$ 9,537,702</b>	
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The costs of assets is \$125,171,372 and the accumulated depreciation is \$57,178,194.					67,993,178
Receivables collected more than 60 days after year-end are not available as current financial resources in the funds but are considered revenues in the statement of activities					1,854,511
Some receivables are not reported in the governmental funds because they are not due in the current period					178,500
Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned about the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds					39,924
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds of the District. These assets and liabilities of the internal service funds, which are reported as proprietary funds rather than governmental funds, are included in governmental activities in the statement of net assets					358,589
Prepaid fees related to capital lease purchase agreement is reported for governmental activities but not at the fund level					1,984,864
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:					
Bonds Payable			11,860,000		
Lease Bond			12,245,000		
Lease Escrow/TAC Energy Project			1,984,865		
Judgments			966,667		
Compensated Absences			1,891,786		
Accrued interest			200,168		
			(29,148,486)		(29,148,486)
Net assets of governmental activities.					\$ 69,297,927

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
For the Year Ended June 30, 2012

	General Fund	Municipal Tax Fund	Sinking Fund	Other Governmental Funds	Total
<b>REVENUE</b>					
Property Taxes	\$ 14,848,760	\$ -	\$ 1,866,115	\$ 2,123,035	\$ 18,837,910
Interest	6,954	4,162	423,103	956	435,175
County Revenue	2,310,997	-	-	-	2,310,997
State Revenue	72,546,227	-	-	587,642	73,133,869
Federal Revenue	23,946,838	-	-	287,555	24,234,393
Other	<u>3,801,526</u>	<u>1,062,625</u>	<u>4,305,000</u>	<u>3,251,116</u>	<u>12,420,267</u>
 Total Revenue	 <u>\$ 117,461,302</u>	 <u>\$ 1,066,787</u>	 <u>\$ 6,594,218</u>	 <u>\$ 6,250,304</u>	 <u>\$ 131,372,611</u>
<b>EXPENDITURES</b>					
Current					
Instruction	\$ 64,113,956	\$ -	\$ -	\$ 905,261	\$ 65,019,217
Support Services	47,118,529	806,873	-	4,375,107	52,300,509
Non-instruction Services	7,414,403	-	-	979,744	8,394,147
Capital Outlay	198,034	8,508,829	-	1,770,174	10,477,037
Other Outlays	550,186	-	-	68,474	618,660
Debt Service					
Judgments and Related Interest	-	-	572,598	-	572,598
Interest Paid	-	-	630,090	-	630,090
Principal Retirement	-	-	6,865,000	-	6,865,000
 Total Expenditures	 <u>\$ 119,395,108</u>	 <u>\$ 9,315,702</u>	 <u>\$ 8,067,688</u>	 <u>\$ 8,098,760</u>	 <u>\$ 144,877,258</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (1,933,806)</u>	 <u>\$ (8,248,915)</u>	 <u>\$ (1,473,470)</u>	 <u>\$ (1,848,456)</u>	 <u>\$ (13,504,647)</u>
Other Financing Sources					
Transfers	457,372	-	-	(457,372)	-
Proceeds of Bonds	-	-	-	2,860,000	2,860,000
Total Other Financing Sources	<u>\$ 457,372</u>	<u>-</u>	<u>-</u>	<u>2,402,628</u>	<u>2,860,000</u>
 Net Change in Fund Balances	 <u>\$ (1,476,434)</u>	 <u>(8,248,915)</u>	 <u>(1,473,470)</u>	 <u>554,172</u>	 <u>(10,644,647)</u>
 Fund Balances - Beginning	 <u>2,969,892</u>	 <u>16,529,263</u>	 <u>8,761,399</u>	 <u>8,420,940</u>	 <u>36,681,494</u>
Fund Balances - Ending	<u>\$ 1,493,458</u>	<u>\$ 8,280,348</u>	<u>\$ 7,287,929</u>	<u>\$ 8,975,112</u>	<u>\$ 26,036,847</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds		\$ (10,644,647)									
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>											
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Capital Outlay</td> <td style="width: 10%; text-align: right;">\$ 10,813,362</td> <td style="width: 40%;"></td> </tr> <tr> <td>Depreciation Expense</td> <td style="text-align: right;"><u>(3,585,962)</u></td> <td style="text-align: right;">7,227,400</td> </tr> </table>	Capital Outlay	\$ 10,813,362		Depreciation Expense	<u>(3,585,962)</u>	7,227,400				
Capital Outlay	\$ 10,813,362										
Depreciation Expense	<u>(3,585,962)</u>	7,227,400									
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.		(17,035)									
Because some revenue will not be collected for several months after fiscal year end they are not considered "available" revenues in the funds and are instead deferred. They are however recorded as revenues in the statement of activities		158,637									
In the statement of activities, compensated absences are measured by the amounts earned and unused during the year. In governmental funds, expenditures is the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned was less than the amounts used.		33,786									
Proceeds of debt provide current financial resources for governmental funds but issuing debt increases long-term liabilities in the statement of net assets.	Bonds payable	(2,860,000)									
Repayment of debt is an expenditure in the governmental funds, but repayment of debt reduced long-term liabilities in the statement of net assets	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bonds payable</td> <td style="width: 10%; text-align: right;">\$ 3,000,000</td> <td style="width: 40%;"></td> </tr> <tr> <td>Lease payable</td> <td style="text-align: right;">3,865,000</td> <td></td> </tr> <tr> <td>Judgment payable</td> <td style="text-align: right;"><u>483,333</u></td> <td style="text-align: right;">7,348,333</td> </tr> </table>	Bonds payable	\$ 3,000,000		Lease payable	3,865,000		Judgment payable	<u>483,333</u>	7,348,333	
Bonds payable	\$ 3,000,000										
Lease payable	3,865,000										
Judgment payable	<u>483,333</u>	7,348,333									
The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the statement of net assets		6,039									
Some sales of assets were financed through notes. In governmental funds, these sales are considered a source of revenue as the funds are received, but in the statement of net assets, the notes receivable are reported as assets		(9,660)									
Internal service funds are used to charge costs of workers' compensation and unemployment to individual funds. The governmental funds included expenditures of \$20,873 and \$50,160 respectively. The expenses of the governmental activities however reflects the actual costs incurred, (\$23,648) and (\$86,750) respectively. The difference represents the undercharge by the internal service funds that is allocated back to governmental activities		(39,365)									
Interest on long-term debt in the statement of activities differs from amounts reported in the governmental funds because interest is recorded as a used of current financial resources when paid in the funds but as it accrues in the statement of activities regardless of when it is paid		<u>45,624</u>									
Change in net assets of governmental activities.		<u>\$ 1,249,112</u>									

See Notes to Financial Statements

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Net Assets – Proprietary Funds  
 June 30, 2012

	Internal Service Funds		
	Workers' Compensation	Cafeteria	Total Proprietary Funds
<b>ASSETS</b>			
Cash and Cash Investments	\$ 12,159	\$ 49,701	\$ 61,860
Pooled Cash and Investments	-	296,729	296,729
<b>Total Assets</b>	<b>\$ 12,159</b>	<b>\$ 346,430</b>	<b>\$ 358,589</b>
<b>NET ASSETS</b>			
Restricted Expendable	\$ 12,159	\$ 346,430	\$ 358,589

See Notes to Financial Statements

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Changes in Fund Net Assets – Proprietary Funds  
 For the Year Ended June 30, 2012

	<u>Internal Service Funds</u>		
	<u>Workers'</u>	<u>Cafeteria</u>	Total
	<u>Compensation</u>		<u>Proprietary</u>
			<u>Funds</u>
Operating Revenues			
Charges to other funds	\$ 20,873	\$ 50,160	\$ 71,033
	<u>20,873</u>	<u>50,160</u>	<u>71,033</u>
Total Operating Revenues	\$ 20,873	\$ 50,160	\$ 71,033
	<u>20,873</u>	<u>50,160</u>	<u>71,033</u>
Operating Expenses			
Other Outlays	\$ 23,648	\$ 86,750	\$ 110,398
	<u>23,648</u>	<u>86,750</u>	<u>110,398</u>
Total Operating Expenses	\$ 23,648	\$ 86,750	\$ 110,398
	<u>23,648</u>	<u>86,750</u>	<u>110,398</u>
Operating Loss	\$ (2,775)	\$ (36,590)	\$ (39,365)
Net Assets- Beginning	<u>14,934</u>	<u>383,020</u>	<u>397,954</u>
Net Assets- Ending	<u>\$ 12,159</u>	<u>\$ 346,430</u>	<u>\$ 358,589</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Cash Flows– Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Internal Service Funds</u>		Total Proprietary Funds
	<u>Workers' Compensation</u>	<u>Cafeteria</u>	
Cash Flows from Operating Activities			
Received from assessments made to other funds	\$ 20,873	\$ 50,178	\$ 71,051
Payments of claims	<u>(23,648)</u>	<u>(86,750)</u>	<u>(110,398)</u>
Net cash used by operating activities	<u>\$ (2,775)</u>	<u>\$ (36,572)</u>	<u>\$ (39,347)</u>
Net decrease in cash	\$ (2,775)	\$ (36,572)	\$ (39,347)
Cash and cash equivalents, Beginning	<u>14,934</u>	<u>383,002</u>	<u>397,936</u>
Cash and cash equivalents, Ending	<u>\$ 12,159</u>	<u>\$ 346,430</u>	<u>\$ 358,589</u>
Cash Flows from Operating Activities			
Operating loss	\$ (2,775)	\$ (36,590)	\$ (39,365)
Adjustments to reconcile operating loss to Net cash used by operating activities			
(Increase) Decrease in:			
Accounts receivable	-	18	18
Accounts payable	-	-	-
Net cash used by operating activities	<u>\$ (2,775)</u>	<u>\$ (36,572)</u>	<u>\$ (39,347)</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Fiduciary Net Assets  
June 30, 2012

	<u>Private- Purpose Trust</u>
<b>ASSETS</b>	
Cash and Cash Investments	\$ (300)
Pooled Cash and Investments	63,196
Other Receivables	<u>2</u>
<b>Total Assets</b>	<u><u>\$ 62,898</u></u>
 <b>LIABILITIES</b>	
 <b>NET ASSETS</b>	
Reserved for Scholarships	<u><u>\$ 62,898</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Changes in Fiduciary Net Assets  
 For the Year Ended June 30, 2012

	<u>Private- Purpose Trust</u>
Additions:	
Private Donations	\$ 2,200
Interest	<u>37</u>
Total Additions	<u>\$ 2,237</u>
Deductions	
Scholarships Awarded	<u>\$ 2,500</u>
Total Deductions	<u>\$ 2,500</u>
Change In Net Assets	\$ (263)
Net Assets- Beginning	<u>63,161</u>
Net Assets- Ending	<u><u>\$ 62,898</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2012

**Note 1 - Summary of Significant Accounting Policies**

The Lawton Independent School District No. 8 (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 for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The District's financial statements are prepared in accordance with generally accepted accounting principles promulgated by The Governmental Accounting Standards Board (GASB). In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The 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 governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

**Basic Financial Statements – Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Assets, the District's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2012

All interfund transactions between governmental funds and internal service funds are eliminated in the district- wide statements.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the district- wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental, proprietary, and fiduciary fund categories. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

The District reports the following major governmental funds:

- General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Sinking Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt
- Municipal Tax Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment as approved by voters for a special sales tax.

Additionally, the District reports the following fund types that are included in other governmental funds: Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund.

Proprietary Funds- Internal Service Funds – Revenues and expenses related to services provided to

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2012

organizations within the District on a cost reimbursement basis are accounted for in the internal service fund. The District's Internal Service Funds are the Workers' Compensation Fund (which is used only to fund remaining claims after self-insurance was discontinued in 2000) and the Cafeteria Incentive Payment Fund (which is used to account for funds accumulated to compensate employees, who terminate or retire, for not using all of their sick leave).

**Fiduciary Funds- Private purpose trust fund** - The District accounts for resources held in a trust or custodial capacity for individuals or private organizations. These funds are primarily used for scholarships.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual:** The government-wide financial statements are presented on the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual:** The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Receivables** – The only receivables not expected to be collected within one year are amounts due on notes receivable after June 30, 2012. See also Note 8.

**Inventories** - Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an expenditure when used rather than when purchased.

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds.

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Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

• School Buildings	50 years
• Improvements	25 years
• Band Instruments	7 years
• Computers and Related Equipment	5 years
• Furniture and Equipment	10 years
• Vehicles	12 years

Compensated Absences – Sick leave is provided to all personnel who work more than 172 contract days per year. Employees on 9 or 10-month contracts earn 10 days per year. Employees on 12-month contracts earn 12 days per year. The District has a sick leave accumulation incentive program to encourage accumulation of sick leave by offering a stipend at time of termination or retirement. The stipend is based on a tier system, which pays a different rate per day for each tier, from \$5 per day to \$20 per day. The maximum amount of the stipend is \$3,000.

Personnel in a full-time position, six or more hours per day, earn vacation time based on years of service. Those with less than 4 years of service earn 1 day per month of employment up to a maximum of 10 days per year and accumulated maximum of 20 days. Those with 4 or more years of service earn 1.5 days per month of employment up to a maximum of 15 days per year and an accumulated maximum of 30 days. Upon retirement or termination, the accumulated days are reimbursed at the employee's effective rate of pay.

Budgets and Budgetary Accounting - The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Because a majority of voters of the District approved a permanent levy in 2001 for the emergency levy and local support levy, an election to approve the levy is no longer held.

No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

A budget is legally adopted by the Board of Education for the General Fund, Building Fund and the Debt Service Fund that includes revenues and expenditures.

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is

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prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

Cash and Cash Equivalents - The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on month-end deposit balances. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

Investments - The District's investment policies are governed by state statutes. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

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.

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2011 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because all amounts are deemed collectible.

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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, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 56% of the District's revenue comes from state sources.

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 programs 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.

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

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 -Net Assets and Fund Balance**

*District-Wide Financial Statements* – When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – The component of net assets that reports the amount of funds restricted for payment of principal and interest on debt. This amount is restricted by enabling legislation and debt covenants.

Restricted for Buildings – The component of net assets that reports the excess of property taxes

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and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by enabling legislation.

Restricted for School Organizations – The component of net assets that report the assets restricted for use by student organizations and extracurricular activities. This amount is restricted by regulations of the Oklahoma State Department of Education.

Restricted for Other – The component of net assets that reports the assets restricted for payment of sick leave incentive program, outstanding workers' compensation claims, and unemployment claims for employees paid with federal salaries.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

The government-wide statement of net assets reports \$9,046,194 of restricted net assets.

*Governmental Fund Financial Statements* –. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventory as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school construction expenditures as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Other purposes are restricted for scholarship purposes from contributors.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of expenditures.

Assigned: This classification includes amounts that are constrained by the District's intent to be

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used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. The District has assigned funds for education that are to be used for utilities, contract services, construction and repairs, food services, textbooks and other operating expenditures.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification would also include any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District has not established a formal stabilization arrangement regarding minimum funding requirements.

As of June 30, 2012, fund balances are comprised of the following:

	<u>General Fund</u>	<u>Municipal Tax Fund</u>	<u>Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonexpendable					
Inventory	\$ 378,820	\$ -	\$ -	\$ -	\$ 378,820
Restricted					
Debt Service	-	-	7,287,929	-	7,287,929
School Construction	-	8,276,188	-	6,551,644	14,827,832
Building Operation and Maintenance	-	-	-	591,041	591,041
Scholarships	-	-	-	1,059	1,059
Committed					
School Organizations	-	-	-	1,831,368	1,831,368
Assigned					
Supplies and equipment	112,043	-	-	-	112,043
Construction and repairs	384,887	-	-	-	384,887
Contract services	194,076	4,160	-	-	198,236
Food services	29,000	-	-	-	29,000
Dues, travel, registration and cocurricula	12,746	-	-	-	12,746
Communications	385,753	-	-	-	385,753
Unassigned	(3,867)	-	-	-	(3,867)
	<u>\$ 1,493,458</u>	<u>\$ 8,280,348</u>	<u>\$ 7,287,929</u>	<u>\$ 8,975,112</u>	<u>\$ 26,036,847</u>

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Note 3 - Cash and Investments**

Deposits – At June 30, 2012, the bank balance of deposits and cash pools was \$12,090,184. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2012, the District was not exposed to custodial credit risk.

Investments - The District participates in an external investment pool, Oklahoma Public School Liquid Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association,

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Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and the Oklahoma Association of School Business Officials. OLAP is governed through an inter local cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP reported value and fair market value are equal at June 30, 2012. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit [www.OLAPonline.org](http://www.OLAPonline.org). OLAP's portfolio consists of cash and short-term investments valued at amortized cost which approximates fair value. OLAP invest in obligations of the U.S Government, its agencies and instrumentalities and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and the OLAP custodian takes delivery of the collateral.

The District's other investments consist of money market mutual fund investments held in sweep accounts, judgments owned by the District and short term investment fund cash held in money market mutual funds and insured accounts. Total investments at June 30, 2012 are \$37,589,358, which are shown on the statement of net assets at \$37,526,162 and on the statement of fiduciary net assets at \$63,196.

**Credit Risk - Investments** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its exposure arising from concentration of investments. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The money market mutual fund investments of \$2,943,467 held with Banc First, are rated AAA by Standard & Poor's. OLAP held securities of \$26,108,401 have Standard & Poor's ratings of 3.5 percent AA+, 34 percent NA, and 62.5 percent NR. Securities with an NA rating are governmental securities and securities with NR rating are bank deposit accounts. U.S. Government money market funds and insured accounts of \$8,520,667 held by Bank of Oklahoma are restricted in use and have Standard & Poor's rating of AAA.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the nature of the District's investments, there are no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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**Note 4 - Long-Term Liabilities**

The long-term liability balances and activity for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	\$ 12,000,000	\$ 2,860,000	\$ 3,000,000	\$ 11,860,000	\$ 3,000,000
Lease note payable	16,110,000	-	3,865,000	12,245,000	4,000,000
Lease escrow/TAC energy project	2,133,844	-	148,979	1,984,865	156,660
Judgment payable	1,450,000		483,333	966,667	483,333
Compensated absences	1,925,572	871,388	905,174	1,891,786	174,278
	<u>\$ 33,619,416</u>	<u>\$ 3,731,388</u>	<u>\$ 8,402,486</u>	<u>\$ 28,948,318</u>	<u>\$ 7,814,271</u>

Payments on bonds are made by the debt service fund with property taxes. Compensated absences and early retirement incentive are generally liquidated by the general fund.

Bonds: Bonds payable June 30, 2012, is composed of the following individual general obligation bond issues:

Original Issue Amount	Purpose	Issue Date	Final Payment	Interest Rates	Maturity
\$ 3,000,000	Building	4/1/2009	\$ 3,000,000	2.450%	8/1/2012
3,000,000	Building	4/1/2010	3,000,000	2.000%	8/1/2013
3,000,000	Building	6/1/2011	3,000,000	1.125%	8/1/2014
2,860,000	Building	8/1/2012	2,860,000	0.700%	8/1/2015

The annual requirements to amortize all bond debt outstanding as of June 30, 2012 including interest payments are as follows:

Year Ending June 30	Principial	Interest	Total
2013	\$ 3,000,000	\$ 148,852	\$ 3,148,852
2014	3,000,000	83,770	3,083,770
2015	3,000,000	36,895	3,036,895
2016	2,860,000	10,010	2,870,010
	<u>\$ 11,860,000</u>	<u>\$ 279,527</u>	<u>\$ 12,139,527</u>

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2012 is \$42,890,024.

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Proceeds of general obligation bond issues are recorded in the bond fund and at least 85% of the proceeds are restricted to the use for which they were approved in the bond elections.

A judgment against the District in 2011 was paid in full by the County of Comanche (the County) and will be levied through the District's sinking fund and paid back to the County over a three-year period pursuant to state law. Interest will be paid at 5.25%.

Capital Lease: On June 17, 2009, the District entered into a lease purchase agreement for the purchase of small equipment and supplies as part of an energy conservation project for public school buildings in the amount of \$2,266,429. Annual payments are made from the sinking fund. As of June 30, 2012, all equipment and supplies have been purchased and installed. The remaining balance of \$1,984,864 is shown on the statement of net assets as prepaid maintenance expense. The following schedule presents future minimum lease payments:

	2013	2014	2015	2016	2017	Thereafter	Total
Future Minimum Lease Payments	\$ 259,000	\$ 259,000	\$ 259,000	\$ 259,000	\$ 259,000	\$ 1,295,000	\$ 2,590,000
Less Interest	<u>(102,340)</u>	<u>(94,262)</u>	<u>(85,768)</u>	<u>(76,837)</u>	<u>(67,444)</u>	<u>(178,484)</u>	<u>(605,135)</u>
Present Value of Minimum Lease Payments	<u>\$ 156,660</u>	<u>\$ 164,738</u>	<u>\$ 173,232</u>	<u>\$ 182,163</u>	<u>\$ 191,556</u>	<u>\$ 1,116,516</u>	<u>\$ 1,984,865</u>

See Note 12 for further discussion of the lease note payable.

**Note 5 - Employee Retirement System**

Plan Description - The District contributes to the state-administered Oklahoma Teachers' Retirement System ("the System"), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is administered by a board of trustees. PERS provides retirement, disability and death benefits to plan members and beneficiaries. Oklahoma State Statute 70, Article 17 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. The System issues a publicly available report that includes financial statements and required supplementary information for PERS. That report may be obtained by contacting the Oklahoma Teachers' Retirement System.

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2012. Plan members are required to contribute 7% of their annual covered salary. The District's contributions to PERS (net of retirement credit paid by the State of Oklahoma) for the years ending June 30, 2012, 2011, and 2010 were \$6,844,121, \$7,132,862, and \$7,258,979, respectively, equal to the required contributions for each year. State of Oklahoma contributions to the System on behalf of the District's employees for the year ended June 30, 2012 were \$943,880.

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**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.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District's sinking fund over a three-year period pursuant to state law. See note 3 for further discussion of current year judgments.

In exchange for \$50, the District entered into a lease with the City of Lawton for use of the original Lawton High School building. The lease has a 50 year term commencing upon the completion of Phase 1 renovations, which occurred during fiscal year 2010. The property will become the City of Lawton's at the end of the lease.

**Note 7 - 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 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 8 - Notes Receivable**

Notes receivable includes the following:

Note for sale of Kuntz Elementary, varying interest through September 2011, then fixed at 7%, payments due annually through September 2021.	\$ 178,500
Current Portion	<u>(10,000)</u>
Long-term Portion	<u><u>\$ 168,500</u></u>

**Note 9 - Schedule of Transfers**

Transfer From	Transfer to	Amount	Nature of Transfer
Student Activity Fund	General Fund	\$ 457,372	Operating transfer

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**Note 10 - Operating Lease**

The District has a lease with a vendor for the use of copier machines at all District locations. The lease expired on June 30, 2012 but was renewed by the District for an additional year which ends June 30, 2013. The lease is renewable at the District's option for one year increments. The total lease expense paid by the District for the year ended June 30, 2012 was approximately \$542,566. Total lease expense anticipated for fiscal year 2013 is approximately \$550,000.

**Note 11 - Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 3,102,269	\$ -	\$ -	\$ 3,102,269
Construction in progress	3,175,812	1,291,651	3,175,812	1,291,651
Total capital assets, not being depreciated	<u>\$ 6,278,081</u>	<u>\$ 1,291,651</u>	<u>\$ 3,175,812</u>	<u>\$ 4,393,920</u>
<i>Capital assets, being depreciated</i>				
Land Improvements	\$ 17,428,643	\$ 1,491,887	\$ -	\$ 18,920,530
Buildings	68,729,353	9,319,025	-	78,048,378
Buses and Vehicles	8,194,758	784,194	422,772	8,556,180
Furniture and Equipment	3,785,991	341,907	37,764	4,090,134
Musical Instruments	1,518,571	-	-	1,518,571
Computers	9,386,907	760,510	503,758	9,643,659
Total capital assets, being depreciated	<u>\$ 109,044,223</u>	<u>\$ 12,697,523</u>	<u>\$ 964,294</u>	<u>\$ 120,777,452</u>
Less Accumulated Depreciation	<u>54,539,491</u>	<u>3,585,962</u>	<u>947,259</u>	<u>57,178,194</u>
Total capital assets, being depreciated, net	<u>\$ 54,504,732</u>	<u>\$ 9,111,561</u>	<u>\$ 17,035</u>	<u>\$ 63,599,258</u>
Governmental activities capital assets, net	<u>60,782,813</u>	<u>10,403,212</u>	<u>3,192,847</u>	<u>67,993,178</u>
<b>Total Primary Government</b>	<u><b>\$ 60,782,813</b></u>	<u><b>\$ 10,403,212</b></u>	<u><b>\$ 3,192,847</b></u>	<u><b>\$ 67,993,178</b></u>

**Note 12 - Lease Revenue Bond Agreement**

The District entered into a lease agreement on June 15, 2010 with the Oklahoma Development Finance Authority (the Authority) in which the Authority advanced \$20,000,000 in lease revenue bonds, series 2010, to the District for the acquisition and construction of buildings, improvements, and equipment. The District will use money received from the City of Lawton (the City) from a special sales tax voted and approved by voters of the City of Lawton for repayment of the lease (see Note 13).

A separate agreement between the Authority and the Oklahoma Department of Commerce (the Department) states that the Department has the obligation for making the interest cost payments on these lease revenue bonds issued by the Authority in accordance with the Military Base Protection and Expansion Incentive Act, Title 74, Section 5062.30 of the Oklahoma Statutes (the Oklahoma BRAC law). As such, interest has not been recorded on the District's financial statements per this agreement

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The following schedule presents the revenue and payment activity per the agreement:

March 1	Amount	Rate	Yield
2013	\$ 4,000,000	2.00%	2.20%
2014	4,075,000	2.30%	2.30%
2015	4,170,000	2.70%	2.70%

A principal payment of \$3,865,000 was made during fiscal year 2012 along with interest of \$421,590. The interest was paid by the Department during fiscal year 2012. The long-term lease payable is included on the accompanying statement of net assets. See also Note 4.

A trustee bank holds the cash and transfers amounts to the District's accounts upon request of the District.

In the event that sufficient funds are not received from the City of Lawton for the payment of lease payments during the next succeeding fiscal year, the District may terminate its obligations under the lease and will not be required to pay the lease payments due after such termination.

**Note 13 - Sales Tax Agreement**

On December 15, 2009, the District signed an agreement with the City of Lawton to receive a one-half percent (.5%) sales tax for specified capital improvements, which include school building construction, renovation/remodeling and the purchase of buses. The voters of the City approved the collection of the sales tax effective January 1, 2010. The District accounts for the tax revenues separately in the municipal tax fund. Per the agreement, the District is to provide a report of expenditures to the City on a calendar quarter basis.

**Note 14 - Subsequent Event**

In August, 2012, the District entered into a contract for sale of Country Club Heights Elementary building to St. James Baptist Church for \$250,000 payable \$25,000 down at signing and \$1,600 per month starting October 1, 2012. If the Church can pay off the contract by 10/1/2013, the Superintendent recommended accepting payoff of \$155,800.

The District has been awarded a \$37 million dollar grant to construct a new elementary school, Freedom Elementary which will replace Geronimo Road and Sheridan Road Elementary schools.

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**REQUIRED SUPPLEMENTARY INFORMATION**

Lawton Independent School District No. 8  
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Budgetary Comparison Schedule –General Fund (Unaudited)  
For the Year Ended June 30, 2012

	Budgeted Amounts		Amounts	Actual Variance
	Original	Final	GAAP Basis	With Final Budget
<b>REVENUE</b>				
Property Taxes	\$ 13,641,526	\$ 13,641,526	\$ 14,848,760	\$ 1,207,234
Interest	7,400	6,692	6,954	262
County Revenue	2,266,000	2,276,653	2,310,997	34,344
State Revenue	71,933,704	72,569,293	72,546,227	(23,066)
Federal Revenue	23,999,882	24,704,493	23,946,838	(757,655)
Other	2,301,678	3,513,872	3,801,526	287,654
Total Revenue	<u>\$ 114,150,190</u>	<u>\$ 116,712,529</u>	<u>\$ 117,461,302</u>	<u>\$ 748,773</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 103,641,114	\$ 103,641,114	\$ 64,113,956	\$ 39,527,158
Support Services	6,042,159	9,813,991	47,118,529	(37,304,538)
Non-instruction Services	7,391,160	7,391,160	7,414,403	(23,243)
Capital Outlay	-	-	198,034	(198,034)
Other Outlays	627,054	627,054	550,186	76,868
Total Expenditures	<u>\$ 117,701,487</u>	<u>\$ 121,473,319</u>	<u>\$ 119,395,108</u>	<u>\$ 2,078,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (3,551,297)</u>	<u>\$ (4,760,790)</u>	<u>\$ (1,933,806)</u>	<u>\$ 2,826,984</u>
Other Financing Sources				
Transfers In	\$ 375,000	\$ 434,611	457,372	22,761
Total Other Financing Sources	<u>375,000</u>	<u>434,611</u>	<u>457,372</u>	<u>22,761</u>
Net Change in Fund Balance	(3,176,297)	(4,326,179)	(1,476,434)	2,849,745
Fund Balance - Beginning	<u>3,176,297</u>	<u>4,326,179</u>	<u>2,969,892</u>	<u>(1,356,287)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,493,458</u>	<u>\$ 1,493,458</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Required Supplementary Information  
June 30, 2012

Budgeting: No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. A final budget may be revised upon approval of the Board of Education in open meeting.

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to a subsequent fiscal year.

Budgetary Comparisons

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District adopts annual budgets for the general fund, the building fund and the sinking fund. State law considers other District funds cash funds for budgetary purposes and thus the Municipal Sales tax fund does not have a legally adopted budget.

**OTHER SUPPLEMENTARY INFORMATION**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Balance Sheet – Other Governmental Funds  
June 30, 2012

	Coop Fund	Building Fund	Gifts Fund	Bond Fund	Activity Fund	Total
<b>Assets</b>						
Cash and Cash Investments	\$ -	\$ (139,236)	\$ (281)	\$ 2,186,644	\$ 183,559	\$ 2,230,686
Pooled Cash and Investments	-	900,000	1,340	4,365,000	1,630,990	6,897,330
Property Taxes Receivable, Net	-	179,917	-	-	-	179,917
Other Receivables	-	-	-	-	54	54
Due from Other Governments	212,950	-	-	-	-	212,950
Due from Other Funds	-	-	-	-	16,765	16,765
Inventories - Supplies, materials	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 212,950</u></b>	<b><u>\$ 940,681</u></b>	<b><u>\$ 1,059</u></b>	<b><u>\$ 6,551,644</u></b>	<b><u>\$ 1,831,368</u></b>	<b><u>\$ 9,537,702</u></b>
<b>Liabilities</b>						
Accounts Payable and Accrued Liab	\$ -	\$ 183,421	\$ -	\$ -	\$ -	\$ 183,421
Salaries and Related Benefits Payab	151,141	-	-	-	-	151,141
Due to Other Funds	61,809	-	-	-	-	61,809
Deferred Revenues	-	166,219	-	-	-	166,219
<b>Total Liabilities</b>	<b><u>\$ 212,950</u></b>	<b><u>\$ 349,640</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 562,590</u></b>
<b>Fund Balances</b>						
Restricted	\$ -	\$ 591,041	\$ 1,059	\$ 6,551,644	\$ -	\$ 7,143,744
Committed	-	-	-	-	1,831,368	1,831,368
<b>Total Fund Balances</b>	<b><u>-</u></b>	<b><u>591,041</u></b>	<b><u>1,059</u></b>	<b><u>6,551,644</u></b>	<b><u>1,831,368</u></b>	<b><u>8,975,112</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 212,950</u></b>	<b><u>\$ 940,681</u></b>	<b><u>\$ 1,059</u></b>	<b><u>\$ 6,551,644</u></b>	<b><u>\$ 1,831,368</u></b>	<b><u>\$ 9,537,702</u></b>

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Combining Statement of Revenue, Expenditures and Changes in Fund Balance  
 – Other Governmental Funds  
 For the Year Ended June 30, 2012

	Coop Fund	Building Fund	Gifts Fund	Bond Fund	Activity Fund	Total
<b>REVENUE</b>						
Property Taxes	\$ -	\$ 2,123,035	\$ -	\$ -	\$ -	\$ 2,123,035
Interest	-	-	1	-	955	956
State Revenue	587,642	-	-	-	-	587,642
Federal Revenue	287,555	-	-	-	-	287,555
Other	-	22,762	7,542	-	3,220,812	3,251,116
Total Revenue	<u>\$ 875,197</u>	<u>\$ 2,145,797</u>	<u>\$ 7,543</u>	<u>\$ -</u>	<u>\$ 3,221,767</u>	<u>\$ 6,250,304</u>
<b>EXPENDITURES</b>						
Current						
Instruction	\$ 365,668	5,689	\$ -	\$ -	\$ 533,904	\$ 905,261
Support Services	498,124	2,607,722	-	78,994	1,190,267	4,375,107
Non-instruction Services	-	-	-	-	979,744	979,744
Capital Outlay	-	266,525	-	1,503,649	-	1,770,174
Other Outlays	11,405	-	10,643	-	46,426	68,474
Total Expenditures	<u>\$ 875,197</u>	<u>\$ 2,879,936</u>	<u>\$ 10,643</u>	<u>\$ 1,582,643</u>	<u>\$ 2,750,341</u>	<u>\$ 8,098,760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(734,139)	(3,100)	(1,582,643)	471,426	(1,848,456)
Other Financing Sources						
Transfers	-	-	-	-	(457,372)	(457,372)
Proceeds of bonds	-	-	-	2,860,000	-	2,860,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,860,000</u>	<u>(457,372)</u>	<u>2,402,628</u>
Net Change in Fund Balances	-	(734,139)	(3,100)	1,277,357	14,054	554,172
Fund Balances, Beginning	-	1,325,180	4,159	5,274,287	1,817,314	8,420,940
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 591,041</u>	<u>\$ 1,059</u>	<u>\$ 6,551,644</u>	<u>\$ 1,831,368</u>	<u>\$ 8,975,112</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2012

<u>PROJECT NUMBER ACTIVITIES</u>	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE June 30, 2012</u>
Project-801 FOOTBALL EXTRAS	\$31,029.00	28,779.48	(19,831.00)	\$39,977.88
Project-802 BOYS BASKETBALL EXTRAS	\$9,664.70	15,021.08	(15,416.00)	\$9,269.49
Project-803 GIRLS BASKETBALL EXTRAS	\$5,971.58	18,648.50	(15,655.00)	\$8,965.55
Project-805 BOYS BASEBALL EXTRAS	\$2,814.84	3,737.17	(6,042.00)	\$510.00
Project-806 GIRLS SOFTBALL EXTRAS	\$11,441.72	10,524.32	(12,619.00)	\$9,346.65
Project-807 WRESTLING EXTRAS	\$277.74	46.00	(220.00)	\$103.99
Project-811 BOYS TRACK EXTRAS	\$956.39	55.00	(296.00)	\$714.92
Project-812 GIRLS TRACK EXTRAS	\$796.94	-	(203.00)	\$593.96
Project-813 BOYS GOLF EXTRAS	\$609.09	175.00	(727.00)	\$56.65
Project-814 BOYS CROSS COUNTRY EXTRAS	\$0.00	380.00	(294.00)	\$86.18
Project-815 BOYS SOCCER EXTRAS	\$0.00	569.00	(485.00)	\$84.35
Project-816 GIRLS VOLLEYBALL EXTRAS	\$1,714.16	1,144.58	(494.00)	\$2,364.92
Project-819 ALL SPORTS EXTRAS	\$10,397.64	1,789.81	(5,555.00)	\$6,632.25
Project-820 GIRLS SOCCER EXTRAS	\$70.65	446.74	(65.00)	\$452.08
Project-821 GIRLS GOLF EXTRAS	\$507.50	904.00	(954.00)	\$457.83
Project-822 GIRLS CROSS COUNTRY EXTRAS	\$0.00	340.00	(304.00)	\$35.70
Project-830 DISTRICT ATHLETICS	\$269,653.90	49,933.24	(28,365.00)	\$291,222.42
Project-831 DISTRICT CONCESSION	\$40,672.43	57,674.19	(56,575.00)	\$41,771.34
Project-832 ATHLETICS (DISTRICT)	\$12,615.91	51,718.71	(55,237.00)	\$9,098.09
Project-833 DISTRICT BASEMENT SUPPLY	\$0.00	-	12.00	\$11.90
Project-836 DISTRICT SWIMMING	\$658.62	7,311.43	(6,581.00)	\$1,389.41
Project-837 DRUG TESTING	\$0.00	5,390.05	(2,975.00)	\$2,415.05
Project-840 ATHLETICS (SITES)	\$203,437.89	482,732.66	(493,925.00)	\$192,245.74
Project-850 GENERAL	\$218,103.89	527,217.61	(544,728.00)	\$200,593.40
Project-851 ACADEMIC TEAM	\$8,658.32	8,392.75	(8,816.00)	\$8,235.11
Project-852 AGRICULTURE	\$18,219.18	98,821.90	(104,255.00)	\$12,786.31
Project-853 AP EXAM	\$27,787.00	19,314.50	(27,765.00)	\$19,337.00
Project-854 ART	\$14,612.72	25,334.30	(26,617.00)	\$13,330.10
Project-855 A.H.S.C. ACTIVITIES	\$715.11	-	(590.00)	\$125.12
Project-856 ASSISTANCE CLUB	\$8,140.00	26,240.00	(26,240.00)	\$8,140.00
Project-857 ARTS IN EDUCATION	\$342.87	-	-	\$342.87
Project-858 ACE	\$33,298.63	619.02	(2,986.00)	\$30,931.26
Project-859 ADVANCE PLACEMENT	\$0.00	145.00	-	\$145.00
Project-860 BAND	\$10,376.85	52,691.88	(46,490.00)	\$16,578.81
Project-861 BUILDERS CLUB	\$629.76	1,115.64	(1,161.00)	\$583.95
Project-862 BUSINESS	\$95.05	3,826.00	(3,576.00)	\$345.24
Project-863 BOE REIMBURSEMENT	\$929.87	30,263.61	(20,100.00)	\$11,093.00
Project-864 CAMPUS CRIME STOPPER	\$2,558.53	-	(909.00)	\$1,649.53
Project-867 CHEERLEADERS	\$55,537.12	89,151.51	(93,645.00)	\$51,043.62
Project-868 CHEMISTRY	\$1,612.47	3,985.46	(574.00)	\$5,023.46
Project-869 CLOSE-UP	\$127.23	(30.00)	-	\$97.23
Project-870 CACE/GED	\$484.21	756.00	(1,089.00)	\$151.63
Project-875 CONCESSIONS	\$11,563.03	16,661.86	(15,188.00)	\$13,036.87
Project-881 CULTURAL AWARENESS	\$1,466.38	-	-	\$1,466.38
Project-883 COUNSELORS	\$244.77	-	(229.00)	\$15.77
Project-885 DRAMA	\$6,281.98	13,198.96	(12,367.00)	\$7,113.58
Project-886 LETTERMEN CLUB	\$10,981.66	11,906.55	(11,112.00)	\$11,776.20
Project-887 COMPUTER CLASS	\$759.24	406.75	(379.00)	\$787.26
Project-888 AFRICAN AMER. MULT.	\$4,793.88	2,050.00	(2,627.00)	\$4,216.94
Project-889 FFA	\$4,614.74	4,014.00	(3,720.00)	\$4,908.74
Project-890 FCA	\$986.66	1,622.52	(2,190.00)	\$419.53
Project-891 FCCLA	\$922.39	11,943.36	(11,367.00)	\$1,499.22

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2012

<u>PROJECT NUMBER ACTIVITES</u>	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE June 30, 2012</u>
Project-892 FBLA	\$0.00	1,395.06	(1,061.00)	\$334.22
Project-894 FENCING CLUB	\$373.15	-	-	\$373.15
Project-895 FRENCH CLUB	\$881.64	3,088.79	(3,251.00)	\$719.35
Project-897 GERMAN CLUB	\$6,834.77	(4,987.17)	(1,239.00)	\$608.78
Project-898 FFA HORTICULTURE	\$10,665.38	9,560.20	(6,459.00)	\$13,766.39
Project-900 GAEA	\$2,434.64	-	-	\$2,434.64
Project-901 GIFTED/TALENTED	\$3,767.53	4,832.34	(5,260.00)	\$3,339.40
Project-902 DRILL TEAM	\$18,443.12	34,539.07	(31,173.00)	\$21,809.28
Project-904 NEWSPAPER	\$807.85	5,662.00	(5,422.00)	\$1,048.09
Project-905 LIBRARY	\$48,068.04	189,517.47	(183,679.00)	\$53,906.38
Project-906 KEY CLUB	\$5,034.40	11,359.56	(11,361.00)	\$5,032.57
Project-907 MATHEMATICS	\$1,160.07	263.00	(610.00)	\$812.66
Project-908 NHS	\$7,434.24	7,025.75	(5,139.00)	\$9,321.48
Project-909 NJHS	\$10,257.52	22,349.84	(24,639.00)	\$7,968.17
Project-910 MISC. EXPENSE	\$82,024.48	40,203.95	(74,497.00)	\$47,731.23
Project-911 NATIVE AMERICAN CLUB	\$1,401.96	1,342.09	(1,232.00)	\$1,511.56
Project-912 MILITARY CHILD CLUB	\$5,711.19	2,702.16	(2,470.00)	\$5,943.59
Project-913 OPEN DOORS	\$293.76	-	-	\$293.76
Project-914 ORCHESTRA	\$10,563.05	31,209.68	(30,235.00)	\$11,537.40
Project-915 PHYSICS	\$881.47	2,855.00	(2,377.00)	\$1,359.13
Project-917 ROBOTICS	\$3.85	4,902.10	(4,359.00)	\$547.35
Project-918 PEP CLUB	\$1,919.68	6,508.40	(4,278.00)	\$4,149.92
Project-919 PICTURES	\$70,986.56	49,977.10	(59,154.00)	\$61,809.34
Project-920 JROTC	\$27,223.73	29,086.68	(30,003.00)	\$26,307.70
Project-921 RENAISSANCE	\$4,269.86	4,894.00	(4,597.00)	\$4,566.46
Project-922 RESOURCE CENTER	\$4,694.80	5,143.25	(4,311.00)	\$5,526.83
Project-924 SCIENCE CLUB	\$4,082.15	23,564.77	(23,532.00)	\$4,114.84
Project-926 LPS STROLLING STRING	\$323.84	380.00	(374.00)	\$329.84
Project-927 SPANISH CLUB	\$6,093.55	4,732.75	(6,572.00)	\$4,253.85
Project-928 SPEECH & DEBATE	\$124.16	526.82	(436.00)	\$214.87
Project-929 SPECIAL EDUCATION	\$3,179.81	3,588.00	(4,060.00)	\$2,708.07
Project-931 STUDENT COUNCIL	\$34,813.00	96,628.12	(93,486.00)	\$37,954.95
Project-933 STUDENT STORE	\$14,219.37	5,991.78	(7,852.00)	\$12,359.31
Project-934 SENIORS 2015	\$0.00	1,290.63	(505.00)	\$786.13
Project-935 SENIORS 2016	\$3,198.60	(1,668.85)	(1,530.00)	\$0.00
Project-936 SENIORS 2012	\$2,108.56	21,562.52	(18,864.00)	\$4,806.75
Project-937 SENIORS 2013	\$3,180.44	6,759.04	(2,945.00)	\$6,994.83
Project-938 SENIORS 2014	\$197.22	1,352.32	(562.00)	\$987.54
Project-939 AUTISM	\$1,237.94	13,259.29	(13,104.00)	\$1,393.19
Project-940 SUMMER SCHOOL	\$185.00	1,390.00	(1,425.00)	\$150.00
Project-942 DISTRICT TESTING	\$1,117.26	850.00	-	\$1,967.26
Project-943 TECHNOLOGY	\$5,234.32	4,687.00	(3,410.00)	\$6,511.17
Project-944 TECHNOLOGY STUDENT ASSOC	\$0.00	253.00	(32.00)	\$221.50
Project-945 TEXTBOOKS	\$3,526.39	6,779.30	(648.00)	\$9,658.19

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2012

<u>PROJECT NUMBER ACTIVITES</u>	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE June 30, 2012</u>
Project-946 VOCAL MUSIC	\$15,884.22	131,930.48	(126,217.00)	\$21,597.61
Project-950 STUDENT SERVICES	\$259.68	-	-	\$259.68
Project-951 YEARBOOK	\$86,291.81	172,138.71	(174,951.00)	\$83,479.29
Project-952 PARENT INVOLVEMENT	\$153.24	-	-	\$153.24
Project-953 ACCELERATED READING	\$1,543.31	2,695.02	(2,981.00)	\$1,257.67
Project-954 WEIGHTROOM LIFTATHON	\$996.62	13,953.23	(12,045.00)	\$2,904.86
Project-955 PLAYGROUND	\$8,578.69	2,000.00	-	\$10,578.69
Project-956 NATIONAL ELEM HONOR SOCIETY	\$628.00	-	(196.00)	\$431.80
Project-957 MIDDLE LEAP	\$0.00	754.50	-	\$754.50
Project-959 CHESS CLUB	\$1,093.01	951.00	(587.00)	\$1,457.05
Project-960 COMMISSION	\$79,052.48	82,839.33	(57,575.00)	\$104,316.87
Project-961 FRIENDS IN NEED	\$6,951.01	(2,000.00)	(492.00)	\$4,458.76
Project-962 LPS CHRISTMAS CHEER	\$1,765.61	2,311.00	(1,805.00)	\$2,271.96
Project-963 SCRAPBOOKING	\$1,108.19	0.46	(87.00)	\$1,021.68
Project-967 GEOGRAPHY CLUB	\$855.53	1,412.95	(787.00)	\$1,481.62
Project-970 EXTENDED DAY	\$14,662.49	52,451.31	(49,119.00)	\$17,994.53
Project-971 EXTENDED DAY BOARD	\$0.00	290,624.38	(290,624.00)	\$0.00
Project-972 ASIA CLUB	\$156.08	-	-	\$156.08
Project-973 TEEN COUNCIL	\$22.18	250.00	(100.00)	\$172.18
Project-975 HOLDING ACCOUNT	\$18,058.43	7,819.85	(13,722.00)	\$12,156.13
Project-976 OKLAHOMA DECATHLON	\$13,416.31	(825.00)	(2,320.00)	\$10,271.18
Project-977 SPEECH PATHALOGY	\$1,801.28	-	(425.00)	\$1,376.28
Project-978 MEDIA CLUB	\$2,059.72	3,839.16	(4,056.00)	\$1,843.02
Project-980 OSVC	\$21,992.86	7,900.00	(18,723.00)	\$11,169.80
Project-983 YOUTH IN GOVERNMENT	\$0.00	2,701.00	(2,620.00)	\$81.50
Project-984 DESIGNATED CONTRIBUTIONS	\$71,420.53	89,232.65	(67,471.00)	\$93,182.48
Project-985 STAGE PRODUCTION	\$82.03	907.00	(422.00)	\$567.03
Project-986 FACULTY IN-SERVICE	\$3.01	-	-	\$3.01
Project-987 TITLE I SUMMER KINDERGARTEN ACAI	\$151.55	-	-	\$151.55
Project-988 VISION IMPAIRED	\$1,760.00	-	(834.00)	\$926.45
Project-989 AP ECONOMICS	\$1,669.46	600.00	(104.00)	\$2,165.72
Project-990 SPECIAL OLYMPICS	\$1,765.36	12,197.15	(8,732.00)	\$5,230.14
Project-991 MEDIA PRODUCTIONS	\$415.78	1,626.95	(1,033.00)	\$1,009.46
Project-994 LPS FOUNDATION GRANTS	\$0.00	18,481.21	(18,481.00)	\$0.00
Project-995 FACULTY FUND	\$1,309.69	1,513.00	(1,292.00)	\$1,531.14
Project-996 PARENT UNIVERSITY	\$722.90	-	(40.00)	\$682.90
Project-998 LAWTON COMMUNITY SERVICES	\$891.36	193.00	(193.00)	\$891.36
Project-999 LPS LANDSCAPING	\$2,699.77	1,680.75	(2,750.00)	\$1,630.39
<b>TOTAL ACTIVITIES</b>	<b>\$1,817,314.78</b>	<b>3,242,506.04</b>	<b>(3,228,453.00)</b>	<b>\$1,831,368.01</b>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2011	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2012
<i>U.S. Dept. of Education</i>						
Direct Program						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (124,431)	\$ 324,980	\$ 273,868	\$ (73,319)
Teaching American History	84.215X	777	\$ (174,319)	\$ 350,599	\$ 344,321	\$ (168,041)
Impact Aid	84.041	591/592	\$ -	\$ 7,084,303	\$ 7,084,303	\$ -
Passed Through Oklahoma Department of Career and Technology Education						
Vocational Education - Basic Grant to States	84.048	421	\$ (50,145)	\$ 129,350	\$ 115,610	\$ (36,405)
Vocational Education - Basic Grant to States - Supplement	84.048	424	-	24,925	24,925	-
			\$ (50,145)	\$ 154,275	\$ 140,535	\$ (36,405)
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Educational Agencies	84.010	511/512/515	\$ (2,004,123)	\$ 5,734,457	\$ 4,685,767	\$ (955,433)
Title I, Grants to Local Educational Agencies	84.010	786	(121,945)	261,834	191,860	(51,971)
ARRA, Title I, Grants to Local Educational Agencies	84.389	516	(41,116)	41,116	-	-
Title I - Federal Academic Achievement Awards	84.010	517	50,848	-	19,963	30,885
Title I Cluster			\$ (2,116,336)	\$ 6,037,407	\$ 4,897,590	\$ (976,519)
		613/615/621				
Special Education - Grants to States	84.027	/625	\$ (914,037)	\$ 3,277,339	\$ 3,230,440	\$ (867,138)
ARRA, Special Education - Grants to States	84.391A	622	(301,143)	301,143	-	-
Special Education - Preschool Grants	84.173	641/642	(21,483)	78,900	78,859	(21,442)
Special Education - State Personnel Development Preschool Grant	84.323A	651	(9,455)	9,455	-	-
Special Education Cluster			\$ (1,246,118)	\$ 3,666,837	\$ 3,309,299	\$ (888,580)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	541	\$ (383,143)	\$ 979,696	\$ 802,085	\$ (205,532)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	786	-	37,946	37,946	-
Title II - Technical Assistance Allocation	84.367	543	(7,505)	19,877	20,981	(8,609)
			\$ (390,648)	\$ 1,037,519	\$ 861,012	\$ (214,141)

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2011	Federal Grant Receipts	Federal Grant Accrual Basis Expenditures	Balance 6/30/2012
<i>U.S. Dept. of Education - continued</i>						
<i>Passed Through State Department of Education:</i>						
Title II, Part D - Enhancing Education Through Technology	84.318	548	(1,422)	7,527	6,105	-
Title II - Part B Math and Science	84.366	542	(199,210)	273,815	287,555	(212,950)
Title III, Part A - Limited English Proficiency	84.365	571, 572	(29,631)	78,487	99,195	(50,339)
Title IV - 21st Century Community Learning Centers	84.287	553	(68,727)	207,744	243,194	(104,177)
Job Training Department of Rehabilitation Services	84.126	456	(341)	162,990	159,298	3,351
Education Jobs Fund	84.410	790	(697,978)	697,978	-	-
Adult Education and Literacy	84.002	731	(63,765)	135,889	134,623	(62,499)
Gear Up	84.334	772	\$ 9,491	\$ -	\$ 9,491	\$ -
Gear Up-Ap Grants	84.334	779	-	33,000	16,925	16,075
Gear Up	84.334	774	20,637	-	20,637	-
			<u>\$ (1,030,946)</u>	<u>\$ 1,597,430</u>	<u>\$ 977,023</u>	<u>\$ (410,539)</u>
<b>Total U.S. Department of Education</b>			<u>\$ (5,132,943)</u>	<u>\$ 20,253,350</u>	<u>\$ 17,887,951</u>	<u>\$ (2,767,544)</u>
<i>U.S. Department of Agriculture</i>						
<i>Passed Through Oklahoma State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 3,491,448	\$ 3,491,448	\$ -
School Breakfast Program	10.553	764	-	1,525,267	1,525,267	-
Summer Food Service Program	10.559	766	70,127	154,257	113,018	111,366
Fresh Fruit/Vegetable	10.579	768	-	-	126,370	(126,370)
Lunch Program - Commodities	10.555		18,425	59,355	63,153	14,627
Commodities Distributed - Breakfast	10.553		15,574	135,869	127,337	24,106
Summer Food Service Program -Commodities	10.559		(114)	6,003	4,698	1,191
Child Nutrition Cluster			<u>\$ 104,012</u>	<u>\$ 5,372,199</u>	<u>\$ 5,451,291</u>	<u>\$ 24,920</u>
<b>Total U.S. Department of Agriculture</b>			<u>\$ 104,012</u>	<u>\$ 5,372,199</u>	<u>\$ 5,451,291</u>	<u>\$ 24,920</u>
<i>U.S. Department of Health and Human Services</i>						
<i>Passed Through Oklahoma Health Care Authority</i>						
Medical Assistance Program	93.778	698	\$ -	\$ 182,919	\$ 182,919	\$ -
<b>Total U.S. Dept. of Transportation</b>			<u>\$ -</u>	<u>\$ 182,919</u>	<u>\$ 182,919</u>	<u>\$ -</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2011	Federal Grant Receipts	Federal Grant Accrual Basis Expenditures	Balance 6/30/2012
<i>Corporation for National and Community Service</i>						
<i>Passed Through Oklahoma State Department of Education</i>						
Learn and Service America, School-Based Programs	94.004	781	\$ (690)	\$ 690	\$ -	\$ -
<b>Total U.S. Dept. of Health and Human Services</b>			<u>\$ (690)</u>	<u>\$ 690</u>	<u>\$ -</u>	<u>\$ -</u>
 <i>U.S. Department of Transportation</i>						
<i>Passed Through Oklahoma Department of Transportation</i>						
ODOT Safe Routes to School	20.205	141	\$ -	\$ -	\$ 90,632	\$ (90,632)
<b>Total U.S. Dept. of Transportation</b>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,632</u>	<u>\$ (90,632)</u>
 <i>U.S. Department of Defense</i>						
<i>Direct Program</i>						
DOD Science Grant	12.030	776	\$ (143,763)	\$ 544,370	\$ 632,661	\$ (232,054)
<b>Total U.S. Dept. of Defense</b>			<u>\$ (143,763)</u>	<u>\$ 544,370</u>	<u>\$ 632,661</u>	<u>\$ (232,054)</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ (5,173,384)</u>	<u>\$ 26,353,528</u>	<u>\$ 24,245,454</u>	<u>\$ (3,065,310)</u>

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Notes to Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Basis of Presentation: The schedule of expenditures of federal awards includes the federal grant activity of Ardmore School District I-19, Carter County, Oklahoma. The schedule of expenditures of federal awards is prepared using the statutory basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

The following transactions related to the *American Recovery and Reinvestment Act*:

	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Project Number</b>	<b>Balance 6/30/2011</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Accrual Basis Expenditures</b>	<b>Balance 6/30/2012</b>
ARRA, IDEA, Part B - Flow Through	84.391	622	\$ (301,143)	\$ 301,143	\$ -	\$ -
ARRA, Title I, Grants to Local Educational Agencies	84.392	643	<u>(41,116)</u>	<u>41,116</u>	<u>-</u>	<u>-</u>
			<u>\$ (342,259)</u>	<u>\$ 342,259</u>	<u>\$ -</u>	<u>\$ -</u>

**OTHER INFORMATION**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Budgetary Comparison Schedule –Building Fund (Unaudited)  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 1,950,428	\$ 2,114,338	\$ 2,123,035	\$ 8,697
Interest	-	-	-	-
Other	-	22,762	22,762	-
Total Revenue	<u>\$ 1,950,428</u>	<u>\$ 2,137,100</u>	<u>\$ 2,145,797</u>	<u>\$ 8,697</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 10,000	\$ 10,000	\$ 5,689	\$ 4,311
Support Services	2,893,156	3,079,826	2,607,722	472,104
Non-instruction Services			-	-
Capital Outlay	372,453	372,453	266,525	105,928
Other Outlays	-	-	-	-
Total Expenditures	<u>\$ 3,275,609</u>	<u>\$ 3,462,279</u>	<u>\$ 2,879,936</u>	<u>\$ 582,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,325,181)	(1,325,179)	(734,139)	591,040
Fund Balance - Beginning	<u>1,325,181</u>	<u>1,325,179</u>	<u>1,325,180</u>	<u>1</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,041</u>	<u>\$ 591,041</u>

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Statutory Fidelity and Honesty Bonds (unaudited)  
 For the Year Ended June 30, 2012

<u>Company</u>	<u>Type</u>	<u>Number</u>	<u>Amount</u>	<u>Effective Date</u>
CAN Surety	Superintendent	0601-7078035	\$100,000	07/1/11-6/30/12
Safeco	Treasurer	E740110-000	\$100,000	07/1/11-6/30/12
Safeco	Assistant Treasurer	E740110-000	\$100,000	07/1/11-6/30/12
Safeco	Activity Fund custodian, Assistant Activity Fund Custodian, Deputy Clerk, Minutes Clerk, Encumbrance Clerk	E740110-000	\$1,000 each	07/1/11-6/30/12



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*

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Lawton Independent School District No. 8, Comanche County, Oklahoma's basic financial statements and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Lawton Independent School District No. 8, Comanche County, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting.

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

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

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did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Independent School District No. 8, Comanche County, Oklahoma'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*.

We noted certain matters that we reported to management of Lawton Independent School District No. 8, Comanche County, Oklahoma in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of management, Board of Education, others within the entity, 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
January 15, 2013



INDEPENDENT AUDITOR'S 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

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Ardmore, Oklahoma

**Compliance**

We have audited Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs for the year ended June 30, 2012. Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lawton Independent School District No. 8, Comanche County, Oklahoma's management. Our responsibility is to express an opinion on Lawton Independent School District No. 8, Comanche County, Oklahoma'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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with those requirements.

In our opinion, Lawton Independent School District No. 8, Comanche County, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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## Internal Control Over Compliance

Management of Lawton Independent School District No. 8, Comanche County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance with the 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 Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Education, others within the entity, Oklahoma Department of Education, 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
January 15, 2013

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

**Section I Summary of Auditor's Results**

**Financial Statements:**

Type of audit report:		Unqualified Opinion
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statement	_____ Yes	_____ <u>X</u> No

**Federal Awards:**

Internal control over major program:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported

Type of auditors' report issued on compliance for major programs:		Unqualified Opinion
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> No
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$	727,545
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Auditee qualified as a low-risk auditee?	_____ Yes	_____ <u>X</u> No
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Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

**Financial Statement Findings**

**2011-1**

*Condition:* This finding related to the failure to identify amounts to be recorded as accounts payable for construction expenditures

*Recommendation:* The auditor recommended that the District institute a control process to properly capture year-end amounts.

*Current Status:* No similar issues were noted this year.

**2011-2**

*Condition:* This finding related to the failure to identify certain certified teachers hired during the year who were paid using the incorrect step per the District pay scales.

*Recommendation:* The auditor recommended that the District institute a control process to identify that all employees are paid according to the appropriate pay scale.

*Current Status:* No similar issues were noted this year..