

FLETCHER INDEPENDENT SCHOOL DISTRICT NO. 9
COMANCHE COUNTY, OKLAHOMA
JUNE 30, 2012

TABLE OF CONTENTS

	Page
<u>SCHOOL DISTRICT OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2
<u>COMBINED FINANCIAL STATEMENTS</u>	
Combined Statement of Assets, Liabilities and Equity - Regulatory Basis - All Fund Types and Account Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types	6
Notes to Combined Financial Statements	7
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>Combining Financial Statements</u>	
Combining Statement of Assets, Liabilities and Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-1
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Regulatory Basis-All Special Revenue Funds	Exhibit A-3
Combining Assets, Liabilities and Fund Equity - Activity Fund - Regulatory Basis	Exhibit A-4
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - Activity Funds	Exhibit A-5
<u>Supporting Schedule(s)</u>	
Schedule of Expenditures of Federal Awards	Exhibit B-1
<u>INTERNAL CONTROL AND COMPLIANCE REPORTS</u>	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	Exhibit C-1
<u>OTHER INFORMATION</u>	
Schedule of Accountants' Professional Liability Insurance	Exhibit D-1
Disposition of Prior Year Audit Findings	Exhibit E-1
Corrective Action Plan	

**FLETCHER INDEPENDENT SCHOOL DISTRICT NO. I-9, COMANCHE COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Fletcher Independent School District #9
Comanche County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Fletcher Independent School District #9**, Comanche County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2012, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, **Fletcher Independent School District #9**, Comanche County, Oklahoma, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

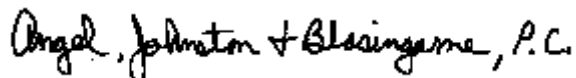
In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under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

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Fletcher Independent School District #9**, Comanche County, Oklahoma, as of June 30, 2012, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Fletcher Independent School District, #9**, Comanche County, Oklahoma as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements of **Fletcher Independent School District #9**, Comanche County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.



Chickasha, Oklahoma
October 11, 2012

COMBINED FINANCIAL STATEMENTS

Fletcher School District No.1-009, Comanche County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2012
ASSETS							
Cash and Cash Equivalents	\$ 692,745	\$ 104,711	\$ 168,721	\$ 0	\$ 53,062	\$ 0	\$ 1,019,238
Investments	121,712	0	0	0	0	0	121,712
Amounts Available in Debt Service Fund	0	0	0	0	0	168,721	168,721
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	451,279	451,279
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	210,407	210,407
Total Assets	\$ 814,456	\$ 104,711	\$ 168,721	\$ 0	\$ 53,062	\$ 830,407	\$ 1,971,357
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 70,053	\$ 2,983	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,036
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	53,062	0	53,062
General Obligation Bonds Payable	0	0	0	0	0	620,000	620,000
Capitalized Lease Obligations Payable	0	0	0	0	0	210,407	210,407
Total Liabilities	\$ 70,053	\$ 2,983	\$ 0	\$ 0	\$ 53,062	\$ 830,407	\$ 956,505
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 168,721	\$ 0	\$ 0	\$ 0	\$ 168,721
Reserved for Capital Projects	0	0	0	0	0	0	0
Cash Fund Balance	744,403	101,728	0	0	0	0	846,131
Total Fund Equity	\$ 744,403	\$ 101,728	\$ 168,721	\$ 0	\$ 0	\$ 0	\$ 1,014,852
Total Liabilities and Fund Equity	\$ 814,456	\$ 104,711	\$ 168,721	\$ 0	\$ 53,062	\$ 830,407	\$ 1,971,357

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

Fletcher School District No.1-009, Comanche County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012
Revenue Collected:					
Local Sources	\$ 512,334	\$ 118,577	\$ 155,986	\$ 0	\$ 786,897
Intermediate Sources	66,662	0	0	0	66,662
State Sources	2,070,727	3,832	0	0	2,074,559
Federal Sources	291,248	136,726	0	0	427,974
Non-Revenue Receipts	0	7,211	0	0	7,211
<i>Total Revenue Collected</i>	<u>\$ 2,940,970</u>	<u>\$ 266,347</u>	<u>\$ 155,986</u>	<u>\$ 0</u>	<u>\$ 3,363,303</u>
Expenditures Paid:					
Instruction	\$ 1,773,713	\$ 0	\$ 0	\$ 0	\$ 1,773,713
Support Services	1,069,456	12,042	0	0	1,081,499
Operation of Non-Instructional Services	95,476	105,180	0	0	200,656
Facilities Acquisition and Construction	0	57,737	0	295,000	352,737
Other Outlays	21,681	7,211	0	0	28,892
Other Uses	0	0	0	0	0
Repayments	142	75	0	0	217
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	150,000	0	150,000
Interest and Fiscal Agent Fees	0	0	33,713	0	33,713
<i>Total Expenditures Paid</i>	<u>\$ 2,960,468</u>	<u>\$ 182,244</u>	<u>\$ 183,713</u>	<u>\$ 295,000</u>	<u>\$ 3,621,425</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (19,498)</u>	<u>\$ 84,102</u>	<u>\$ (27,726)</u>	<u>\$ (295,000)</u>	<u>\$ (258,122)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 243	\$ 0	\$ 0	\$ 0	\$ 243
Bond Proceeds	0	0	0	295,000	295,000
Transfers In	76,687	0	0	0	76,687
Transfers Out	0	(76,687)	0	0	(76,687)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 76,929</u>	<u>\$ (76,687)</u>	<u>\$ 0</u>	<u>\$ 295,000</u>	<u>\$ 295,243</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 57,431</u>	<u>\$ 7,416</u>	<u>\$ (27,726)</u>	<u>\$ 0</u>	<u>\$ 37,121</u>
<i>Fund Balance - Beginning of Year</i>	<u>686,972</u>	<u>94,312</u>	<u>196,447</u>	<u>0</u>	<u>977,731</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 744,403</u></u>	<u><u>\$ 101,728</u></u>	<u><u>\$ 168,721</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,014,852</u></u>

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

Fletcher School District No.1-009, Comanche County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2012

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 422,528	\$ 422,528	\$ 512,334	\$ 106,785	\$ 106,785	\$ 118,577	\$ 142,320	\$ 142,320	\$ 155,986
Intermediate Sources	66,000	66,000	66,662	0	0	0	0	0	0
State Sources	2,032,358	2,032,358	2,070,727	3,500	3,500	3,832	0	0	0
Federal Sources	93,142	320,501	291,248	157,500	157,500	136,726	0	0	0
Non-Revenue Receipts	0	0	0	0	0	7,211	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 2,614,028</u>	<u>\$ 2,841,387</u>	<u>\$ 2,940,970</u>	<u>\$ 267,785</u>	<u>\$ 267,785</u>	<u>\$ 266,347</u>	<u>\$ 142,320</u>	<u>\$ 142,320</u>	<u>\$ 155,986</u>
Expenditures Paid:									
Instruction	\$ 2,108,152	\$ 2,335,511	\$ 1,773,713	\$ 77,487	\$ 77,487	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	1,070,865	1,070,865	1,069,456	44,933	44,933	12,042	0	0	0
Operation of Non-Instructional Services	95,476	95,476	95,476	105,180	105,180	105,180	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	57,737	0	0	0
Other Outlays	26,364	26,364	21,681	57,737	57,737	7,211	338,767	338,767	183,713
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	142	142	142	75	75	75	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 3,301,000</u>	<u>\$ 3,528,359</u>	<u>\$ 2,960,468</u>	<u>\$ 285,411</u>	<u>\$ 285,411</u>	<u>\$ 182,244</u>	<u>\$ 338,767</u>	<u>\$ 338,767</u>	<u>\$ 183,713</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (686,972)	\$ (686,972)	\$ (19,498)	\$ (17,625)	\$ (17,625)	\$ 84,102	\$ (196,447)	\$ (196,447)	\$ (27,726)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 243	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	76,687	0	0	0	0	0	0
Transfers Out	0	0	0	(76,687)	(76,687)	(76,687)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,929</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (686,972)	\$ (686,972)	\$ 57,431	\$ (94,312)	\$ (94,312)	\$ 7,416	\$ (196,447)	\$ (196,447)	\$ (27,726)
<i>Fund Balance - Beginning of Year</i>	686,972	686,972	686,972	94,312	94,312	94,312	196,447	196,447	196,447
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 744,403</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 101,728</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 168,721</u>

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Fletcher Public Schools Independent District No. 9, Comanche County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

1.B. Fund Accounting

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

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

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

Governmental Fund Types

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

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

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

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

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

Cooperative Fund - A Cooperative Fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues used to operate the cooperative program came from a 21st Century Federal grant. The expenditures for this fund consisted of those necessary to operate and maintain the joint programs.

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

4. Capital Projects Fund - The Capital Projects Fund consists of the District's 2011 Building Bond issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

1.B. Fund Accounting, (continued)

Fiduciary Fund Types

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

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

Account Groups

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

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

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

Memorandum Only - Total Column

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

1.C. Basis of Accounting and Presentation

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

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

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

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

1.D. Budgets and Budgetary Accounting

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

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

1.E. Assets, Liabilities and Fund Equity

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

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

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

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

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

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

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

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits, (if material) have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable available financial resources.

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

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

1.F. Revenue, Expenses, and Expenditures

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

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

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

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

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

Note 2 – Deposit and Investment Risk

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

		Carrying Value
Deposits		
Demand Deposits	\$	1,023,777
Time Deposits		121,712
Total Deposits	\$	1,145,489
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ 0
Total Investments	\$	0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	1,140,950
Activity Fund Outstanding Checks		4,539
Total Deposits and Investments	\$	1,145,489

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

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

At June 30, 2012, the District was not exposed to custodial credit risk as defined above.

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

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

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

The district had no investment credit risk as of June 30, 2012, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

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

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

Note 3 - General Long-term Debt

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

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

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2011	475,000	563,118	0	1,038,118
Additions	295,000	0	0	295,000
Retirements	150,000	352,711	0	502,711
Balance, June 30, 2012	620,000	210,407	0	830,407

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2007 Building Bonds	3.95 to 6.00%	August 1, 2012	\$ 200,000	\$ 50,000
2008 Building Bonds	3.50 to 6.00%	August 1, 2013	100,000	50,000
2009 Building Bonds	3.90 to 4.05%	Sept. 1, 2014	300,000	225,000
2011 Building Bonds	.9 to 2.0%	Sept 1, 2016	295,000	295,000
Totals			\$ 895,000	\$ 620,000

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007 Building Bonds			
2012-13	\$ 50,000	\$ 1,000	\$ 51,000
Sub Total	\$ 50,000	\$ 1,000	\$ 51,000
2008 Building Bonds			
2012-13	\$ 25,000	\$ 1,375	\$ 26,375
2013-14	25,000	469	25,469
Sub Total	\$ 50,000	\$ 1,844	\$ 51,844
2009 Building Bonds			
2012-13	\$ 75,000	\$ 7,500	\$ 82,500
2013-14	75,000	4,537	79,537
2014-15	75,000	1,519	76,519
Sub Total	\$ 225,000	\$ 13,556	\$ 238,556
2011 Building Bonds			
2012-13	\$ 0	\$ 4,117	\$ 4,117
2013-14	70,000	4,117	74,117
2014-15	75,000	3,488	78,488
2015-16	75,000	2,625	77,625
2016-17	75,000	1,500	76,500
Sub Total	\$ 295,000	\$ 15,847	\$ 310,847
Total Bonds	\$ 620,000	\$ 32,247	\$ 652,247

Interest expense on bonds payable incurred during the current year totaled \$33,712.50.

The District has entered into lease agreements as lessee for financing the construction of school buildings and a pickup. These lease agreements qualify as a capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

Year Ending June 30	School Buildings	Pickup	Total
2013	\$ 57,537	\$ 6,668	\$ 64,205
2014	57,537	0	57,537
2015	57,537	0	57,537
2016	57,536	0	57,536
Total	<u>\$ 230,147</u>	<u>\$ 6,668</u>	<u>\$ 236,815</u>
Less: Amount Representing Interest	<u>(26,151)</u>	<u>(257)</u>	<u>(26,408)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 203,996</u>	<u>\$ 6,411</u>	<u>\$ 210,407</u>

Note 4 - Employee Retirement System

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

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

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

The District's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were \$146,183, \$159,961, and \$170,126 respectively.

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System, (continued)

The compensation for employees covered by the System for the year ended June 30, 2012 was \$1,538,767: the District's total compensation was \$2,136,624. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.00% of compensation arising from federal grants (\$9,198) and 9.50% of compensation arising from post retirement employees (\$0). There were \$78,834 contributions made by employees during the year ended June 30, 2012.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

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

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

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

Note 5 - Contingencies

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

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable and the amounts are not readily estimable, the District believes the resolution of the District's insurance carrier. The District intends to vigorously defend itself on the lawsuits.

Note 6 – Risk Management

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

Fletcher ISD No. 9, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 7 - Use of Estimates

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

Note 8 – Budget Amendments

The General Fund Budget was amended once during the year by filing a supplemental appropriation with the county clerks office. The supplemental appropriation was filed January 17, 2012 for \$227,359. This increased the General Fund Budget from \$3,301,000 to \$3,528,359.

Note 9 – Surety Bonds

The treasurer is bonded by Western Surety, bond #70757309 for the penal sum of \$100,000 for the term July 21, 2011 to July 21, 2012.

The encumbrance clerk is bonded by Western Surety Company, bond #70757294 for the penal sum of \$100,000 for the term July 21, 2011 to July 21, 2012.

The superintendent is bonded by Western Surety Company, bond #70750274 for the penal sum of \$100,000 for the period July 1, 2011 to July 1, 2012.

OTHER SUPPLEMENTAL INFORMATION

Fletcher School District No.1-009, Comanche County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 40,022	\$ 64,378	\$ 310	\$ 104,711
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 40,022</u>	<u>\$ 64,378</u>	<u>\$ 310</u>	<u>\$ 104,711</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants Payable	\$ 1,383	\$ 1,600	\$ 0	\$ 2,983
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 1,383</u>	<u>\$ 1,600</u>	<u>\$ 0</u>	<u>\$ 2,983</u>
Fund Balance:				
Cash Fund Balance	\$ 38,639	\$ 62,779	\$ 310	\$ 101,728
<i>Total Fund Balance</i>	<u>\$ 38,639</u>	<u>\$ 62,779</u>	<u>\$ 310</u>	<u>\$ 101,728</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 40,022</u>	<u>\$ 64,378</u>	<u>\$ 310</u>	<u>\$ 104,711</u>

Fletcher School District No.1-009, Comanche County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Cooperative Fund</u>	<u>Total June 30, 2012</u>
Revenue Collected:				
Local Sources	\$ 65,934	\$ 52,643	\$ 0	\$ 118,577
Intermediate Sources	0	0	0	0
State Sources	0	3,832	0	3,832
Federal Sources	0	126,285	10,441	136,726
Non-Revenue Receipts	0	0	7,211	7,211
<i>Total Revenue Collected</i>	<u>\$ 65,934</u>	<u>\$ 182,761</u>	<u>\$ 17,652</u>	<u>\$ 266,347</u>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	12,042	0	0	12,042
Operation of Non-Instructional Services	0	105,180	0	105,180
Facilities Acquisition and Construction	57,737	0	0	57,737
Other Outlays	0	0	7,211	7,211
Other Uses	0	0	0	0
Repayments	0	75	0	75
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 69,779</u>	<u>\$ 105,255</u>	<u>\$ 7,211</u>	<u>\$ 182,244</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (3,845)</u>	<u>\$ 77,506</u>	<u>\$ 10,441</u>	<u>\$ 84,102</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0
Transfers Out	0	(76,687)	0	(76,687)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (76,687)</u>	<u>\$ 0</u>	<u>\$ (76,687)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (3,845)</u>	<u>\$ 820</u>	<u>\$ 10,441</u>	<u>\$ 7,416</u>
<i>Fund Balance - Beginning of Year</i>	<u>42,484</u>	<u>61,959</u>	<u>(10,131)</u>	<u>94,312</u>
<i>Fund Balance - End of Year</i>	<u>\$ 38,639</u>	<u>\$ 62,779</u>	<u>\$ 310</u>	<u>\$ 101,728</u>

Fletcher School District No.I-009, Comanche County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Budget and Actual
 For the Year Ending June 30, 2012

	Building Fund			Cooperative Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:												
Local Sources	\$ 60,185	\$ 60,185	\$ 65,934	\$ 0	\$ 0	\$ 0	\$ 46,600	\$ 46,600	\$ 52,643	\$ 106,785	\$ 106,785	\$ 118,577
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	3,500	3,500	3,832	3,500	3,500	3,832
Federal Sources	0	0	0	45,000	45,000	10,441	112,500	112,500	126,285	157,500	157,500	136,726
Non-Revenue Receipts	0	0	0	0	0	7,211	0	0	0	0	0	7,211
<i>Total Revenue Collected</i>	<u>\$ 60,185</u>	<u>\$ 60,185</u>	<u>\$ 65,934</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 17,652</u>	<u>\$ 162,600</u>	<u>\$ 162,600</u>	<u>\$ 182,761</u>	<u>\$ 267,785</u>	<u>\$ 267,785</u>	<u>\$ 266,347</u>
Expenditures Paid:												
Instruction	\$ 0	\$ 0	\$ 0	\$ 34,869	\$ 34,869	\$ 0	\$ 42,618	\$ 42,618	\$ 0	\$ 77,487	\$ 77,487	\$ 0
Support Services	44,933	44,933	12,042	0	0	0	0	0	0	44,933	44,933	12,042
Operation of Non-Instructional Services	0	0	0	0	0	0	105,180	105,180	105,180	105,180	105,180	105,180
Facilities Acquisition and Construction	0	0	57,737	0	0	0	0	0	0	0	0	57,737
Other Outlays	57,737	57,737	0	0	0	7,211	0	0	0	57,737	57,737	7,211
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	75	75	75	75	75	75
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 102,669</u>	<u>\$ 102,669</u>	<u>\$ 69,779</u>	<u>\$ 34,869</u>	<u>\$ 34,869</u>	<u>\$ 7,211</u>	<u>\$ 147,873</u>	<u>\$ 147,873</u>	<u>\$ 105,255</u>	<u>\$ 285,411</u>	<u>\$ 285,411</u>	<u>\$ 182,244</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (42,484)</u>	<u>\$ (42,484)</u>	<u>\$ (3,845)</u>	<u>\$ 10,131</u>	<u>\$ 10,131</u>	<u>\$ 10,441</u>	<u>\$ 14,728</u>	<u>\$ 14,728</u>	<u>\$ 77,506</u>	<u>\$ (17,625)</u>	<u>\$ (17,625)</u>	<u>\$ 84,102</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):												
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	(76,687)	(76,687)	(76,687)	(76,687)	(76,687)	(76,687)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>	<u>\$ (76,687)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (42,484)</u>	<u>\$ (42,484)</u>	<u>\$ (3,845)</u>	<u>\$ 10,131</u>	<u>\$ 10,131</u>	<u>\$ 10,441</u>	<u>\$ (61,959)</u>	<u>\$ (61,959)</u>	<u>\$ 820</u>	<u>\$ (94,312)</u>	<u>\$ (94,312)</u>	<u>\$ 7,416</u>
<i>Fund Balance - Beginning of Year</i>	<u>42,484</u>	<u>42,484</u>	<u>42,484</u>	<u>(10,131)</u>	<u>(10,131)</u>	<u>(10,131)</u>	<u>61,959</u>	<u>61,959</u>	<u>61,959</u>	<u>94,312</u>	<u>94,312</u>	<u>94,312</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,639</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 310</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,779</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 101,728</u>

Fletcher School District No.1-009, Comanche County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 53,062
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 53,062</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>53,062</u>
<i>Total Liabilities</i>	<u>\$ 53,062</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 53,062</u>

Fletcher School District No.1-009, Comanche County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Athletics	\$ 14,455	\$ 69,113	\$ 63,373	\$ 20,195
Cheerleaders	546	20,481	19,284	1,742
Academic Teams	340	0	35	305
Elementary	546	40,939	32,858	8,626
FFA	5,834	32,024	32,017	5,841
FCCLA	3,820	11,449	13,078	2,192
General	1,252	3,202	2,928	1,526
Investments	566	335	566	335
Juniors	782	7,683	5,699	2,766
Music	649	277	676	250
Seniors	20	7,156	6,917	260
Tech & Robotics Club	5,222	385	5,282	324
Student Council	1,188	4,941	5,722	407
Yearbook	6,374	8,032	9,353	5,053
Sophomores	1,988	1,725	2,404	1,308
Secondary	1,143	1,777	1,280	1,640
Creative Writing	281	220	294	207
Fellowship of Christian Athletes	0	100	89	11
Pottery	0	74	0	74
Total Activities	\$ <u>45,005</u>	\$ <u>209,913</u>	\$ <u>201,856</u>	\$ <u>53,062</u>

Exhibit A-5

FLETCHER INDEPENDENT SCHOOL DISTRICT NO. 9, COMANCHE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2011	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2012
U.S. Department of Education						
Direct Programs:						
Title VII, Indian Education	84.060A	561	0	11,868	11,868	0
Title VI, Small Rural School Achievement	84.358A	588	0	32,150	32,150	0
Impact Aid	84.041	591	0	24,222	24,222	0
Impact Aid - Special Education	84.041	592	219	1,652	1,871	0
Passed Through Oklahoma State Department of Education:						
Title I, Basic	84.010	511	(15,308)	70,502	73,761	(18,566)
Title I, Basic-Excess Carryover	84.010	512	0	7,928	7,928	0
Title I Cluster			(15,308)	78,430	81,688	(18,566)
IDEA-B Flowthrough	84.027	621	0	119,949	119,949	0
IDEA-B Preschool	84.173	641	0	3,602	3,602	0
Special Education Cluster			0	123,551	123,551	0
Title II, Part A	84.367	586	0	15,374	15,374	0
Gear Up	84.334A	770	0	4,000	4,000	0
21st Century	84.287	553	(10,441)	10,441	0	0
Total U.S. Department of Education			(25,530)	301,689	294,725	(18,566)
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Breakfast Program	10.553	764	0	26,120	26,120	0
Lunch Program	10.555	763	0	97,242	97,242	0
Summer Food Service Program	10.559	766	10	2,924	3,607	(673)
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	13,783	13,783	0
Child Nutrition Cluster			10	140,069	140,752	(673)
Total U.S. Department of Agriculture			10	140,069	140,752	(673)
TOTAL FEDERAL ASSISTANCE			(25,520)	441,757	435,477	(19,239)

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

Note 2 - Commodities received in the amount of \$13,783 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - The district coded \$7,210 to 21st Century (project 553). The district was the LEA for the 21st Century Cooperative Fund for the 2010-11 year. However, they were not the LEA for the 2011-12 year. They were reimbursed for these expenses by the current LEA. Thus, these expenditures should have been coded to a local project code.



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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education
Fletcher Independent School District #9
Comanche County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Fletcher Independent School District #9**, Comanche County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated October 11, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **Fletcher Independent School District #9**, Comanche County, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2012-1 Finding

Statement of Condition - It appears two employees had federal matching teacher retirement paid on some non federal. The overpayments were \$42.07 and \$467.50.

Criteria – Matching teacher retirement is to be paid at a rate of 7% on salaries paid for with federal grants.

Cause/Effect of Condition - It appears the salary was originally coded to a federal project code and then reclassified to a non federal project code. The district's accounting software does not adjust for this change after the initial coding and must be changed manually. Therefore, matching teacher retirement was overpaid. The school can request a repayment of these overpaid monies.

Recommendation– Persons in charge of payroll should make sure if an employee's coding is changed from a federal project code to a non federal project code, or vice versa, that the federal matching teacher retirement code is changed as well.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the board of education of **Fletcher Independent School District #9**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
October 11, 2012

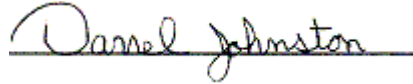
OTHER INFORMATION

Fletcher ISD No. 9, Comanche County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Fletcher Schools* for the audit year 2011-2012.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

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

Notary Public

My Commission Expires 11-12-12

**Fletcher ISD No. 9, Comanche County
Disposition of Prior Year Audit Findings
Year Ended June 30, 2012**

Finding 2011-1

Statement of Condition - During our testing of elementary fundraisers, we noted that when the money is turned over to the school secretary, it is not being receipted timely. It is being receipted a couple of days later, then brought to activity fund custodian to be deposited.

Criteria – To provide for proper tracking of district monies, a receipt should be issued and a copy provided to the student when the money is first received by the district.

Cause/Effect of Condition – The secretary believed that because of the large volume of receipts that would have to be written, it would be better to write them later.

Recommendation – We recommend the district issue a receipt at the time it is received, and deliver the money to the activity fund custodian to be deposited daily.

Current Status – This was corrected during the 2011-12 year.

SCHOOL'S CORRECTIVE ACTION PLAN



Fletcher Schools Corrective Action Plan from Auditor's Findings FY 2012

When we recode a teacher's salary we will verify from which funding sources they were originally coded and where they are being recoded.

We will be more accurate on our initial coding of personnel.

We will request a refund from Teacher's Retirement for the overpayment.

Sincerely,



Randy Harris
Superintendent
Fletcher Public School

ADMINISTRATION

Randy Harris - Superintendent
Matthew Riggs - Secondary Principal
Shane Gilbreath - Elementary Principal

BOARD OF EDUCATION

Aaron Jones - President
Judy Davis - Vice President
Sam Harless - Clerk
Penny Hammonds - Member
Jim Hall - Member