

REPORT OF AUDIT
FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

FORGAN SCHOOL DISTRICT #1-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

OFFICERS

GREGGORY MCREYNOLDS	PRESIDENT
ELDON EAGAN	VICE-PRESIDENT
TERYL LEISHER	CLERK
KERRY REGIER	MEMBER
LYNNETTA STOUT	MEMBER
NAN VAN FREDENBERG	TREASURER
TRAVIS SMALTS	SUPERINTENDENT

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Forgan School District #1-123
Beaver County, Oklahoma

I have audited the accompanying fund type and account group financial statements-regulatory basis of the Forgan School District #1-123, Beaver County, Oklahoma as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the requirements of the Oklahoma State Department of Oklahoma. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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

As described in Note 1 to the financial statement, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Forgan School District #1-123, Beaver County, Oklahoma on the basis of the financial reporting prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statement referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2013, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

However, in my opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Forgan School District #I-123, Beaver County, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statement of the District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States 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. This other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and 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 my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued a report dated April 21, 2014, on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and 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 my audit.

Sincerely,



Chas. W. Carroll, P.A.
April 21, 2014

**Forgan School District No.1-123, Beaver County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2013**

	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2013	
ASSETS								
Cash and Cash Equivalents	\$ 713,378	\$ 720,222	\$ 118,769	\$ 5,066	\$ 95,048	\$ 0	\$ 1,652,483	
Investments	0	0	0	0	0	0	0	
Amounts Available in Debt Service Fund	0	0	0	0	0	118,769	118,769	
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	331,231	331,231	
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	0	0	
Total Assets	\$ 713,378	\$ 720,222	\$ 118,769	\$ 5,066	\$ 95,048	\$ 450,000	\$ 2,102,483	
LIABILITIES AND FUND BALANCE								
Liabilities:								
Warrants Payable	\$ 164,289	\$ 8,580	\$ 0	\$ 0	\$ 4,445	\$ 0	\$ 177,315	
Reserve for Encumbrances	3,271	58,827	0	0	0	0	62,099	
Due to Activity Groups	0	0	0	0	90,603	0	90,603	
General Obligation Bonds Payable	0	0	0	0	0	450,000	450,000	
Capitalized Lease Obligations Payable	0	0	0	0	0	0	0	
Total Liabilities	\$ 167,561	\$ 67,408	\$ 0	\$ 0	\$ 95,048	\$ 450,000	\$ 780,017	
Fund Balance:								
Restricted For -								
Debt Service	\$ 0	\$ 0	\$ 118,769	\$ 0	\$ 0	\$ 0	\$ 118,769	
Building Programs	0	612,991	0	0	0	0	612,991	
Child Nutrition	0	39,824	0	0	0	0	39,824	
Capital Projects	0	0	0	5,066	0	0	5,066	
Unassigned	545,817	0	0	0	0	0	545,817	
Total Fund Balance	\$ 545,817	\$ 652,814	\$ 118,769	\$ 5,066	\$ 0	\$ 0	\$ 1,322,466	
Total Liabilities and Fund Balance	\$ 713,378	\$ 720,222	\$ 118,769	\$ 5,066	\$ 95,048	\$ 450,000	\$ 2,102,483	

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

Forgan School District No.1-123, Beaver County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2013

EXHIBIT B

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
Revenue Collected:					
Local Sources	\$ 1,034,168	\$ 145,789	\$ 120,112	\$ 0	\$ 1,300,068
Intermediate Sources	47,909	0	0	0	47,909
State Sources	588,704	9,334	63	0	598,101
Federal Sources	144,907	52,204	0	0	197,111
Non-Revenue Receipts	4,293	109	0	0	4,402
Total Revenue Collected	\$ 1,819,981	\$ 207,435	\$ 120,175	\$ 0	\$ 2,147,591
Expenditures Paid:					
Instruction	\$ 1,064,681	\$ 1,255	\$ 0	\$ 0	\$ 1,065,936
Support Services	662,047	121,348	0	83,623	867,018
Operation of Non-Instructional Services	51,645	86,824	0	0	138,469
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	530	0	0	0	530
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:	0	0	0	0	0
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	0	0	0
Total Expenditures Paid	\$ 1,778,904	\$ 209,426	\$ 7,178	\$ 83,623	\$ 2,079,131
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ 41,077	\$ (1,991)	\$ 112,998	\$ (83,623)	\$ 68,461
Adjustments to Prior Year Encumbrances	\$ 558	\$ 0	\$ 0	\$ 3,737	\$ 4,296
Other Financing Sources (Uses):					
Estopped Warrants	\$ 136	\$ 0	\$ 0	\$ 0	\$ 136
Bond Proceeds	0	0	0	0	0
Transfers In	20,000	29,760	0	0	49,760
Transfers Out	0	(20,000)	0	0	(20,000)
Total Other Financing Sources (Uses)	\$ 20,136	\$ 9,760	\$ 0	\$ 0	\$ 29,896
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ 61,772	\$ 7,769	\$ 112,998	\$ (79,886)	\$ 102,653
Fund Balance - Beginning of Year	484,046	645,045	5,771	84,951	1,219,814
Fund Balance - End of Year	\$ 545,817	\$ 652,814	\$ 118,769	\$ 5,066	\$ 1,322,466

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

Forgan School District No.1-123, Beaver County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2013

EXHIBIT C

	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	\$ 923,528	\$ 923,528	\$ 1,034,168	\$ 131,844	\$ 131,844	\$ 145,789	\$ 114,903	\$ 114,903	\$ 120,175
Intermediate Sources	105,463	105,463	47,909	0	0	0	0	0	0
State Sources	483,102	483,102	588,704	1,390	1,390	9,334	0	0	0
Federal Sources	106,124	106,124	144,907	42,545	42,545	52,204	0	0	0
Non-Revenue Receipts	0	0	4,293	0	0	109	0	0	0
Total Revenue Collected	\$ 1,618,216	\$ 1,618,216	\$ 1,819,981	\$ 175,778	\$ 175,778	\$ 207,435	\$ 114,903	\$ 114,903	\$ 120,175
Expenditures Paid:									
Instruction									
Support Services	\$ 1,388,038	\$ 1,388,038	\$ 1,064,681	\$ 1,255	\$ 1,255	\$ 1,255	\$ 0	\$ 0	\$ 0
Operation of Non-Instructional Services	662,047	662,047	662,047	712,787	712,787	121,348	0	0	0
Facilities Acquisition and Construction	51,645	51,645	51,645	138,782	138,782	86,824	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	530	530	530	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 2,102,261	\$ 2,102,261	\$ 1,778,904	\$ 852,823	\$ 852,823	\$ 209,426	\$ 120,674	\$ 120,674	\$ 7,178
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (484,046)	\$ (484,046)	\$ 41,077	\$ (677,045)	\$ (677,045)	\$ (1,991)	\$ (5,771)	\$ (5,771)	\$ 112,998
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	20,000	0	0	29,760	0	0	0
Transfers Out	0	0	0	32,000	32,000	(20,000)	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 20,136	\$ 32,000	\$ 32,000	\$ 9,760	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (484,046)	\$ (484,046)	\$ 61,772	\$ (645,045)	\$ (645,045)	\$ 7,769	\$ (5,771)	\$ (5,771)	\$ 112,998
Fund Balance - Beginning of Year	484,046	484,046	484,046	645,045	645,045	645,045	5,771	5,771	5,771
Fund Balance - End of Year	\$ (0)	\$ (0)	\$ 545,817	\$ 0	\$ 0	\$ 652,814	\$ 0	\$ 0	\$ 118,769

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

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Forgan School District #I-123 have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. 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.

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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Fund Description

The following funds are utilized by the Forgan School District #I-123.

Governmental Fund Types -

Fiduciary Fund Types --

General Fund

Agency Fund

Special Revenue Funds

Debt Service Fund

Capital Projects Fund

NOTES TO FINANCIAL STATEMENTS

PAGE 2

B. Fund Accounting (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).

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

Special Revenue Funds - The Special Revenue Funds are the District's Building Fund and Child Nutrition 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. The Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with the daily operations of the district's nutrition program.

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.

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

Fiduciary Fund Types

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

Agency Fund - The Agency Fund is the school Activity Fund which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

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.

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 (OSDE). This format is essentially the generally accepted form of presentation used by State and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements--Management's Discussion and Analysis--for State and Local Governments. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education 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 requires 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.

D. 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. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal bud-get. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

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

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

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

E. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

The value of consumable inventories at June 30, 2013 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances.

The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The District has elected not to present a liability for compensated absences.

Operating Leases

The District has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the District does not consider the obligation to be for a period extending beyond the current fiscal year.

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.

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. 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. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2013 is set forth below:

\$450,000.00 Transportation Bonds of 2011

Payment Date	Principal	Rate	Interest	Total
12/01/13	\$110,000.00	1.40%	\$2,392.50	\$112,392.50
06/01/14	0.00		1,622.50	1,622.50
12/01/14	110,000.00	0.75%	1,622.50	111,622.50
06/01/15	0.00		1,210.00	1,210.00
12/01/15	110,000.00	1.00%	1,210.00	111,210.00
06/01/16	0.00		660.00	660.00
12/01/16	<u>120,000.00</u>	1.10%	<u>660.00</u>	<u>120,660.00</u>
Totals	\$450,000.00		\$ 8,717.50	\$459,377.50

Cash Fund Balance

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

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by the United States Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The District Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

<u>Category</u>	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>Bank Balance</u>
Cash/Investments	<u>\$346,388.00</u>	<u>\$1,306,095.00</u>	<u>\$ 0.00</u>	<u>\$1,652,483.00</u>

F. Revenue, Expenses and Expenditures

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.

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

Property Tax Revenue

The District is authorized by state law to levy property taxes which consists 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 the taxes are due prior to January 1. The second half is due prior to April 1.

Property Tax Revenue (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.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Government Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

The District's Commercial Liability Insurance agreements cover claims against municipalities for all government functions and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating District pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

District and Activity

Nan van Fredengerg, District Treasurer, is bonded with the Western Surety Company, in the amount of \$50,000.00. The bond number is 69797627, dated October 1, 2012 to October 1, 2013.

Travis Smalts, Superintendent, is bonded with the Western Surety Company, in the amount of \$100,000.00. The bond number is 70753923, dated July 1, 2012 to July 1, 2013 .

Surety Bonds (continued)

The District maintains a Public Employees Honesty Bond with the Western Surety Company, in the amount of \$10,000.00. The bond number is 68372415, dated August 6, 2012 to August 6, 2013. The positions covered are as follows:

1. Activity/Lunch Fund Custodian
2. Encumbrance Clerk
3. Minutes Clerk

3. Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). 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. 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 5 years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 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 2012-13 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 9.5% of applicable compensation for the year ended June 30, 2013. An additional 8% of compensation is required for federal grants. 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 member is 7% up to a maximum compensation level.

The total contributions for employees of Forgan School District #1-123 covered by the System for the year 2013, 2012 and 2011 were \$162,573.34, \$156,721.76 and \$158,044.95 respectively.

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 the 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 non-funded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

NOTES TO FINANCIAL STATEMENTS

3. Employee Retirement System continued)

Total pension obligation	\$18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Non-funded pension benefit obligation	<u>\$ 8,397,561,658</u>

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

4. Subsequent Events

Management has evaluated subsequent events through April 21, 2014, which is the date the financial statements were available to be issued.

Forgan School District No.1-123, Beaver County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2013

SCHEDULE A-1

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2013</u>
Cash and Cash Equivalents	\$ 675,901	\$ 44,321	\$ 0	\$ 720,222
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 675,901</u>	<u>\$ 44,321</u>	<u>\$ 0</u>	<u>\$ 720,222</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants Payable	\$ 4,083	\$ 4,498	\$ 0	\$ 8,580
Reserve for Encumbrances	<u>58,827</u>	<u>0</u>	<u>0</u>	<u>58,827</u>
<i>Total Liabilities</i>	<u>\$ 62,910</u>	<u>\$ 4,498</u>	<u>\$ 0</u>	<u>\$ 67,408</u>
Fund Balance:				
Restricted	\$ <u>612,991</u>	\$ <u>39,824</u>	\$ <u>0</u>	\$ <u>652,814</u>
<i>Total Fund Balance</i>	<u>\$ 612,991</u>	<u>\$ 39,824</u>	<u>\$ 0</u>	<u>\$ 652,814</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 675,901</u>	<u>\$ 44,321</u>	<u>\$ 0</u>	<u>\$ 720,222</u>

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

Forgan School District No.1-123, Beaver County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2013

SCHEDULE B-1

	Building Fund	Child Nutrition Fund	Cooperative Fund	Total June 30, 2013
Revenue Collected:				
Local Sources	\$ 145,591	\$ 198	\$ 0	\$ 145,789
Intermediate Sources	0	0	0	0
State Sources	7,804	1,529	0	9,334
Federal Sources	0	52,204	0	52,204
Non-Revenue Receipts	0	109	0	109
	<u>0</u>	<u>109</u>	<u>0</u>	<u>109</u>
<i>Total Revenue Collected</i>	<u>\$ 153,395</u>	<u>\$ 54,040</u>	<u>\$ 0</u>	<u>\$ 207,435</u>
Expenditures Paid:				
Instruction	\$ 1,255	\$ 0	\$ 0	\$ 1,255
Support Services	121,348	0	0	121,348
Operation of Non-Instructional Services	0	86,824	0	86,824
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 122,603</u>	<u>\$ 86,824</u>	<u>\$ 0</u>	<u>\$ 209,426</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 30,793</u>	<u>\$ (32,783)</u>	<u>\$ 0</u>	<u>\$ (1,991)</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	29,760	0	29,760
Transfers Out	0	(20,000)	0	(20,000)
	<u>0</u>	<u>9,760</u>	<u>0</u>	<u>9,760</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 9,760</u>	<u>\$ 0</u>	<u>\$ 9,760</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 30,793</u>	<u>\$ (23,024)</u>	<u>\$ 0</u>	<u>\$ 7,769</u>
<i>Fund Balance - Beginning of Year</i>	<u>582,198</u>	<u>62,847</u>	<u>0</u>	<u>645,045</u>
<i>Fund Balance - End of Year</i>	<u>\$ 612,991</u>	<u>\$ 39,824</u>	<u>\$ 0</u>	<u>\$ 652,814</u>

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

Forgan School District No.1-123, Beaver County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Regulatory Basis - Budget and Actual
 For the Year Ending June 30, 2013

SCHEDULE C-1

	Building Fund			Cooperative Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 131,844	\$ 131,844	\$ 145,591						
Intermediate Sources	0	0	0						
State Sources	0	0	7,804				1,390	1,390	1,529
Federal Sources	0	0	0				42,545	42,545	52,204
Non-Renue Receipts	0	0	0				0	0	109
Total Revenue Collected	\$ 131,844	\$ 131,844	\$ 153,395	\$ 0	\$ 0	\$ 0	\$ 43,934	\$ 43,934	\$ 54,040
Expenditures Paid:									
Instruction	\$ 1,255	\$ 1,255	\$ 1,255						
Support Services	712,787	712,787	121,348						
Operation of Non-Instructional Services	0	0	0						
Facilities Acquisition and Construction	0	0	0				138,782	138,782	86,824
Other Outlays	0	0	0				0	0	0
Other Uses	0	0	0				0	0	0
Repayments	0	0	0				0	0	0
Interest Paid	0	0	0				0	0	0
Total Expenditures Paid	\$ 714,042	\$ 714,042	\$ 122,603	\$ 0	\$ 0	\$ 0	\$ 138,782	\$ 138,782	\$ 86,824
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (582,198)	\$ (582,198)	\$ 30,793	\$ 0	\$ 0	\$ 0	\$ (94,847)	\$ (94,847)	\$ (32,783)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0						
Transfers In	0	0	0						
Transfers Out	0	0	0				32,000	32,000	29,760
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,000	\$ 32,000	\$ (9,760)
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (582,198)	\$ (582,198)	\$ 30,793	\$ 0	\$ 0	\$ 0	\$ (62,847)	\$ (62,847)	\$ (23,024)
Fund Balance - Beginning of Year	582,198	582,198	582,198	0	0	0	62,847	62,847	62,847
Fund Balance - End of Year	\$ (0)	\$ (0)	\$ 612,991	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,824

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

FORGAN SCHOOL DISTRICT #I-123
 BEAVER COUNTY - OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/12 TO 06/30/13

SCHEDULE 1-00

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 01, 2012	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
U.S. Department of Education -							
<u>Direct Programs</u>							
Title VI Part B	84.358A	588	\$34,114.24	\$15,823.94	\$38,783.30	\$22,959.36	\$0.00
<u>Passed Through Oklahoma State</u>							
<u>Department of Education-</u>							
Title I, Basic	84.010	511	\$45,725.27	25,439.55	25,439.55	32,931.51	32,931.51
Title I, Migrant	84.011	521	\$34,332.36	71,649.29	71,649.29	16,148.94	16,148.94
Title I Cluster				97,088.84	97,088.84	49,080.45	49,080.45
IDEA-B Flow Through	84.027	621	\$37,677.15	0.00	0.00	37,677.15	37,677.15
IDEA-B Preschool	84.173	641	\$787.71	0.00	0.00	787.81	787.81
Special Education Cluster				0.00	0.00	38,464.96	38,464.96
Title II, Part A	84.367	541/586	\$7,094.34	9,034.90	9,034.90	6,392.96	6,392.96
U.S. Department of Agriculture -							
<u>Passed Through Oklahoma State</u>							
<u>Department of Education-</u>							
<u>Child Nutrition Cluster:</u>							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.550	N/A	\$4,789.75	0.00	3,520.40	3,520.40	0.00
Cash Assistance:							
National School Lunch Program	10.555	763	\$39,922.68	0.00	39,922.68	39,922.68	0.00
School Breakfast Program	10.553	764	\$12,280.90	0.00	12,280.90	12,280.90	0.00
Total Cash Assistance				0.00	52,203.58	52,203.58	0.00
Total Food Program (Cluster)				0.00	55,723.98	55,723.98	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$121,947.68	\$200,631.02	\$172,621.71	\$93,938.37	

CONTINUED ON PAGE 2

NOTE 1: The Schedule of Expenditures of Federal Awards 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: The District Policy is to expend Child Nutrition Federal, State and Local revenues in that order during each fiscal year. If there are any unexpended Federal or State funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition Cluster for Commodities represents a nonmonetary value of the food commodities received from only the 2013 Fiscal Year allocation. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount. Also, the amount shown as received (delivered) and expended on this Schedule 1-00 for commodities is not in agreement with that amount provided to the State Department of Education by the Department of Human Services. The amount on this Schedule 1-00 was taken from delivery tickets received by the District during the 2012-2013 Fiscal Year. Any portion of the current year allocation received during the succeeding fiscal year will be treated as a carry-over.

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

FORGAN SCHOOL DISTRICT # I-123
 BEAVER COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 REVENUES, EXPENDITURES, AND BALANCES
 07/01/12 TO 06/30/13

ACCOUNT	07/01/12	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/13
	\$	\$	\$	\$	\$	\$
Refund Subaccount						
Athletics	25,677.72	916.83	-	-	38.40	878.43
Music	2,072.46	23,226.00	-	(600.00)	26,854.80	21,448.92
Yearbook	6,753.96	13,972.35	-	-	14,687.42	1,357.39
Acedemic Achievement	65.00	24,010.11	-	-	12,554.54	18,209.53
Technology/Newspaper	1,939.79	445.00	-	-	-	65.00
Pep Club/HS Cheerleader	78.74	5,381.22	-	-	1,118.52	1,266.27
Letter F	-	2,339.50	-	-	4,836.60	623.36
PAC	6,525.78	7,545.84	-	-	2,182.00	157.50
5-6 and 7-8 Cheerleaders	413.72	2,249.39	-	506.78	9,959.35	4,619.05
3rd Grade School Store	349.22	140.00	-	-	2,393.57	269.54
Concession Stand	1,750.00	13,396.38	-	-	400.76	88.46
Teacher Supplies	483.64	-	-	-	13,639.87	1,506.51
Video Edition	374.02	40.00	-	-	-	483.64
Tuition	216.14	-	-	-	-	414.02
Library Memorial Fund	2,197.56	5,182.39	-	-	-	216.14
FCA	639.56	-	-	-	5,362.22	2,017.73
National Honor Society	1,661.65	1,465.00	-	-	-	639.56
Box Tops For Education	115.21	-	-	-	2,007.00	1,119.65
National Junior Honor	651.36	-	-	-	-	115.21
Daily Lunch Collections	-	-	-	-	-	651.36
Woodworking Technology	540.38	29,588.69	-	-	29,588.69	-
Girls Athletic Fundraiser	1,655.38	3,555.44	-	-	2,127.25	1,968.57
Boys Athletic Fundraiser	2,417.95	1,360.30	-	-	2,060.00	955.68
Pre Kindergarten	472.00	7,669.53	-	280.59	6,343.80	4,024.27
Kindergarten	659.17	-	-	-	-	472.00
1st Grade	507.75	301.00	-	-	-	960.17
2nd Grade	691.31	10.00	-	-	86.13	431.62
3rd Grade	1,061.35	1,760.35	-	-	1,615.20	836.46
		408.31	-	-	1,314.00	155.66

FORGAN SCHOOL DISTRICT # I-123
BEAVER COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND BALANCES
07/01/12 TO 06/30/13

ACCOUNT	07/01/12	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/13
4th Grade	\$ 1,842.59	\$ 6,635.00	\$ -	\$ -	\$ 7,466.08	\$ 1,011.51
5th Grade	395.68	3,700.50	-	-	3,402.56	693.62
6th Grade	1,674.96	867.50	-	-	605.72	1,936.74
2017-8th	275.25	396.00	-	-	-	671.25
2016-9th	468.22	-	-	-	-	468.22
2015-10th	448.63	-	-	-	-	448.63
2014-11th	967.81	14,726.44	-	600.00	15,770.92	523.33
2013-12th	835.74	534.00	-	-	989.96	379.78
2012-Graduated	2,494.54	-	-	-	2,494.50	0.04
Hs Girls Softball Fundraiser	-	3,214.15	-	-	1,877.10	1,337.05
Forgan 4-H	-	16,478.75	-	-	5,679.12	10,799.63
Prev Yr Senior	398.97	-	-	(398.97)	-	-
Boys Football Fundraiser	1,507.80	7,215.00	-	(280.59)	7,860.29	581.92
Counselor	566.01	142.57	-	-	-	708.58
Academic Team	136.98	2,011.00	-	-	1,174.40	973.58
Learning Lab	174.29	-	-	-	-	174.29
Physical Education Fundraiser	948.08	-	-	-	-	948.08
Art Class Fundraiser	-	323.00	-	-	-	323.00
STUCO	2,771.34	2,471.50	-	-	104.09	218.91
2010 Graduated	107.81	-	-	(107.81)	2,466.28	2,776.56
TOTALS	\$ 75,985.52	\$ 203,679.04	\$ -	\$ -	\$ 189,061.14	\$ 90,603.42

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

FORGAN SCHOOL DISTRICT # I-123
 BEAVER COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 RECONCILIATION STATEMENT
 07/01/12 TO 06/30/13

<u>DEPOSITORY</u>	<u>DETAIL</u>	<u>TOTALS</u>
CASH	<u>\$ 96,387.78</u>	
TOTAL DEPOSITORY		<u>\$96,387.78</u>
<u>FUND</u>		
LEDGER BALANCE	\$ 90,603.42	
ADD: 2012-13 OUTSTANDING	4,444.89	
2011-12 OUTSTANDING	110.00	
2010-11 OUTSTANDING	956.45	
2009-10 OUTSTANDING	<u>273.02</u>	
TOTAL DEPOSITORY		<u>\$96,387.78</u>

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

FORGAN SCHOOL DISTRICT # I-123
 BEAVER COUNTY - OKLAHOMA
 SCHOOL ACTIVITY FUND
 CASH STATEMENT
 07/01/12 TO 06/30/13

	TOTAL	2012-13	2011-12	2010-11	PRIOR	INVESTMENTS
<u>BEGINNING CASH AND INVESTMENTS</u>	\$ 78,049.42	\$ 75,985.52	\$ 834.43	\$ 956.45	\$ 273.02	\$ -
<u>REVENUES</u>						
DEPOSITS	203,571.42	203,571.42				
INTEREST	107.62	107.62				
REDEPOSITS	156.00	156.00				
TOTAL REVENUES	203,835.04	203,835.04	-	-	-	-
<u>EXPENDITURES</u>						
CHECKS PAID	185,340.68	184,616.25	724.43			
RET CKS/RET CK CHGS	156.00	156.00				
TOTAL EXPENDITURES	185,496.68	184,772.25	724.43	-	-	-
ENDING BALANCES	\$ 96,387.78	\$ 95,048.31	\$ 110.00	\$ 956.45	\$ 273.02	\$ -

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

STATE OF OKLAHOMA)
)
COUNTY OF GARFIELD)

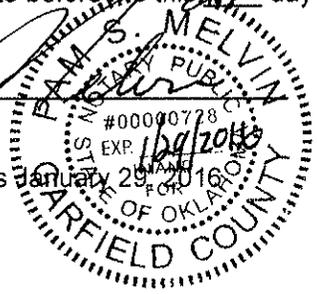
The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Forgan School District #I-23, Beaver County, Oklahoma, for the audit year 2012-2013.

Chas. W. Carroll, P.A.
Auditing Firm

By: Charles W. Carroll

Subscribed and sworn to before me this 21st day of April, 2014.

[Signature]
Notary Public



My Commission Expires January 29, 2016

Chas. W. Carroll, P.A.

Hiland Tower - Suite 406
302 N. Independence
Enid, Oklahoma 73701

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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
Forgan School District #1-123
Beaver County, Oklahoma

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis of the Forgan School District #1-23, Beaver County, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued my report thereon dated April 21, 2014. 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 by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as items B-1, B-2 and B-3.

Response to Findings

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Sincerely,



Chas. W. Carroll, P.A.
April 21, 2014

FORGAN SCHOOL DISTRICT #1-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

SCHEDULE OF FINDINGS
JUNE 30, 2013

Section 1 – Summary of Auditor's Results

No reportable conditions, either material or immaterial, were noted or brought to my attention during the 2012-2013 fiscal year.

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2013

Section 1 – Summary of Auditor's Results

12-01 Finding

Statement of Condition – The District did not code the Child Nutrition federal expenditures using the prescribed Oklahoma Cost Accounting System (OCAS) project codes.

Criteria – Good internal controls require procedures be in place to properly track Federal program expenditures and revenues.

Cause / Effect of Condition – Lack of internal control allows for non-compliance with expenditure tracking required by the State Department of Education and the accountability of federal program funding.

Recommendation – All federal program funding is to be tracked utilizing the prescribed OCAS expenditure and revenue project codes. I recommend the District contact the State Department of Education and request assistance to reconcile this concern.

Current Condition – This finding was corrected during the 2012-13 fiscal year.

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS

Specific Administrative Controls

Internal Control

B-1 Employee Compensations

In reviewing the District's payroll expenditures I noted one instance where it appears that the actual amounts paid did not correspond with the amount identified on the employment contract as follows:

<u>Contract Amount</u>	<u>Actual Payment</u>	<u>Over/<Under> Contract</u>
\$41,407.56	\$40,207.56	\$<1,200.00>

I recommend the school district administration initiate procedures to verify the above mentioned payroll differences and, if necessary, consult with legal counsel concerning the necessary actions required due to any variances of actual contract amounts to those actually paid.

B-2 Prior Year Obligations

During my audit of the District's expenditures I found one (1) General Fund invoice dated during the 2011-12 fiscal year which was paid from the 2012-13 fiscal year appropriations. This invoice should have been included as an expenditure identified during the 2011-12 fiscal year. I am not aware of any authority to pay for obligations incurred during one fiscal year from funds appropriated for the next fiscal year.

Had the General Fund expenditures been made from the appropriate year of obligation, the fund's ending 2011-12 and beginning 2012-13 balances would have been decreased by \$4,477.20.

Additionally, the 2011-12 expenditures for the General Fund would have increased and the 2012-13 expenditures would have been decreased.

I recommend that proper cut-off dates be established in order to properly establish reserves to pay for year-end obligations.

B-3 Return of District Assets

The Refund Sub-account maintained within the School Activity Fund had a balance on hand at June 30, 2013. Since these funds represent District level revenues they should be transferred to the appropriate District Fund prior to June 30 of each fiscal year to properly establish the total assets belonging to that fund.

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".