FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
GRACEMONT INDEPENDENT SCHOOL DISTRICT
NO. 86
CADDO COUNTY, OKLAHOMA
JUNE 30, 2012

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
JUNE 30, 2012

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CADDO COUNTY, OKLAHOMA
JUNE 30, 2012

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GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JULY 1, 2011 THROUGH JUNE 30, 2012

Board of Education

President	Wes Savage
Vice-President	Bart Daugherty
Clerk	David Harrison
Member	Mark Slemp
Member	Paul Buzbee

School District Treasurer

James Allen

Superintendent of Schools

Mike Jones

BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

The Honorable Board of Education
Gracemont Independent School District No. 86
Gracemont, Caddo County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Gracemont Independent School District No. 86, Oklahoma, as listed in the table of contents, as of and for the year ended June 30, 2012. These financial statements are the responsibility of Gracemont Independent School District No. 86, Oklahoma. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, Gracemont Independent School District No. 86, Oklahoma, prepares 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, because of the School's policy to prepare its financial statements on the basis of accounting 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 Gracemont Independent School District No. 86, Oklahoma, as of June 30, 2012, or the results of its operations for the year then ended.

However, in our opinion, except for the omission of the general fixed asset account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Gracemont Independent School District No. 86, Oklahoma, as of June 30, 2012, and the revenues it received and expenditures it paid for the year then ended, on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2013, on our consideration of Gracemont Independent School District No. 86, Oklahoma's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements of Gracemont Independent School District No. 86, Oklahoma, taken as a whole. The accompanying Combining Financial Statements and the Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements referred to above and, in our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
February 1, 2013

COMBINED FINANCIAL STATEMENTS

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINED BALANCE SHEET
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2012

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	$ 442,295.43	$ 63,848.94	$ 176.07	$ 235,000.00
Amount Available in Debt-Service Fund	0.00	0.00	0.00	0.00
Amount to Be Provided for Retirement of General Long-Term Debt	0.00	0.00	0.00	0.00
Total Assets	$ 442,295.43	$ 63,848.94	$ 176.07	$ 235,000.00
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Payable	$ 57,232.67	$ 3,095.30	$ 0.00	$ 0.00
Encumbrances	0.00	0.00	0.00	0.00
Due to Others	0.00	0.00	0.00	0.00
General-Obligation Bonds Payable	0.00	0.00	0.00	0.00
Interest Payable	0.00	0.00	0.00	0.00
Total Liabilities	57,232.67	3,095.30	0.00	0.00
Fund Equity:				
Unreserved:				
Designated for Capital Projects	0.00	0.00	0.00	235,000.00
Designated for Debt Service	0.00	0.00	176.07	0.00
Undesignated	385,062.76	60,753.64	0.00	0.00
Total Fund Balances	385,062.76	60,753.64	176.07	235,000.00
Total Liabilities and Fund Balances	$ 442,295.43	$ 63,848.94	$ 176.07	$ 235,000.00

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

Fiduciary Fund Types	Account Group	Total (Memorandum Only - Note 1)
Trust and Agency	General Long-Term Debt	2012
$ 57,188.90	$ 0.00	$ 798,509.34
0.00	176.07	176.07
0.00	234,823.93	234,823.93
$ 57,188.90	$ 235,000.00	$ 1,033,509.34
$ 0.00	$ 0.00	$ 60,327.97
0.00	0.00	0.00
57,188.90	0.00	57,188.90
0.00	235,000.00	235,000.00
0.00	0.00	0.00
57,188.90	235,000.00	352,516.87
0.00	0.00	235,000.00
0.00	0.00	176.07
0.00	0.00	445,816.40
0.00	0.00	680,992.47
$ 57,188.90	$ 235,000.00	$ 1,033,509.34

Schedule 2-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			Governmental Fund Types	Total (Memorandum Only - Note 1)
	General	Special Revenue	Debt Service	Capital Projects	2012
Revenues:					
Local Sources	$ 214,208.37	$ 54,283.28	$ 0.00	$ 235,006.84	$ 503,498.49
Intermediate Sources	22,099.60	0.00	183.23	0.00	22,282.83
State Sources	817,471.48	11,354.39	0.00	0.00	828,825.87
Federal Sources	167,935.63	73,150.76	0.00	0.00	241,086.39
Total Revenues Collected	1,221,715.08	138,788.43	183.23	235,006.84	1,595,693.58
Expenditures:					
Instruction	691,731.53	0.00	0.00	0.00	691,731.53
Support Services	513,639.68	27,016.58	0.00	0.00	540,656.26
Non-Instructional Services	14,990.82	95,800.47	0.00	0.00	110,791.29
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Other Outlays	422.64	0.00	0.00	0.00	422.64
Debt Service:					
Principal Retirement	0.00	0.00	0.00	0.00	0.00
Interest and Fiscal-Agent Charges	0.00	0.00	0.00	0.00	0.00
Total Expenditures	1,220,784.67	122,817.05	0.00	0.00	1,343,601.72
Excess of Revenues Over (Under) Expenditures	930.41	15,971.38	183.23	235,006.84	252,091.86
Adjustments to Prior-Year Encumbrances	0.00	0.00	0.00	(1,024.50)	(1,024.50)
Other Financing Sources (Uses):					
Operating Transfers	778.72	0.00	(778.72)	0.00	0.00
Bond-Sale Proceeds	0.00	0.00	0.00	0.00	0.00
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,709.13	15,971.38	(595.49)	233,982.34	251,067.36
Beginning Fund Balances	383,353.63	44,782.26	771.56	1,017.66	429,925.11
Ending Fund Balances	$ 385,062.76	$ 60,753.64	$ 176.07	$ 235,000.00	$ 680,992.47

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

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	$ 383,353.63	$ 383,353.63	$ 383,353.63
Revenues:			
Local sources	144,507.36	144,507.36	214,208.37
Intermediate sources	18,119.14	18,119.14	22,099.60
State sources	761,733.58	761,733.58	817,471.48
Federal sources	88,897.96	88,897.96	167,935.63
Total Revenue, budgetary basis	1,013,258.04	1,013,258.04	1,221,715.08
Expenditures:			
Instruction	720,599.84	720,599.84	691,731.53
Support services	654,770.57	654,770.57	513,639.68
Non - Instructional services	20,818.62	20,818.62	14,990.82
Capital Outlay	0.00	0.00	0.00
Other Outlays	422.64	422.64	422.64
Debt Service:			
Principal retirement	0.00	0.00	0.00
Interest and fiscal agent charges	0.00	0.00	0.00
Judgments paid	0.00	0.00	0.00
Total Expenditures, budgetary basis	1,396,611.67	1,396,611.67	1,220,784.67
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	384,284.04
Other financing sources (uses):			
Operating Transfers	0.00	0.00	778.72
Bond sale proceeds	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	385,062.76
Adjustments to prior year encumbrances	0.00	0.00	0.00
Ending fund balances	$ 0.00	$ 0.00	$ 385,062.76

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

Special Revenue Funds			Debt Service Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ 44,782.26	$ 44,782.26	$ 44,782.26	$ 771.56	$ 771.56	$ 771.56
36,559.18	36,559.18	54,283.28	0.00	0.00	0.00
0.00	0.00	0.00		0.00	183.23
9,063.45	9,063.45	11,354.39	0.00	0.00	0.00
59,000.85	59,000.85	73,150.76	0.00	0.00	0.00
104,623.48	104,623.48	138,788.43	0.00	0.00	183.23
0.00	0.00	0.00	0.00	0.00	0.00
53,337.31	53,337.31	27,016.58	0.00	0.00	0.00
96,068.43	96,068.43	95,800.47	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	771.56	771.56	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
149,405.74	149,405.74	122,817.05	771.56	771.56	0.00
0.00	0.00	60,753.64	0.00	0.00	954.79
0.00	0.00	0.00	0.00	0.00	(778.72)
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	60,753.64	0.00	0.00	176.07
0.00	0.00	0.00	0.00	0.00	0.00
$ 0.00	$ 0.00	$ 60,753.64	$ 0.00	$ 0.00	$ 176.07

NOTES TO COMBINED FINANCIAL STATEMENTS

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

The basic financial statements of the Gracemont Independent School District No. 86 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

Summary of Significant Accounting Policies, (Continued)

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

Special Revenue Fund - The Special Revenue Fund of the District consists of the Building Fund, the Child Nutrition Fund, and the Insurance 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.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Special Revenue Fund, (Continued)

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. The district also deposits monies received from the National School Lunch and Breakfast programs into this fund.

Insurance Fund - The Insurance Fund consists of monies collected from insurance and is expended on erecting, remodeling, or repairs.

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

Permanent Fund - Permanent Funds account for restricted resources where the District is under an obligation to maintain the trust principal. The District has no permanent funds.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Agency Fund - 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, for collecting, disbursing and accounting for these activity funds.

Account Groups

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

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. 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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The District has not maintained the cost of fixed assets purchased in previous years. Thus the General Fixed Asset Account Group is not presented.

Memorandum Only - Total Column

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

Summary of Significant Accounting Policies, (Continued)

C. Basis of Accounting

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 Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*. This format differs significantly from that required by GASB Statement No. 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 are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

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

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 budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the advalorem levy, emergency levy and local support levy permanent.

Summary of Significant Accounting Policies, (Continued)

Budgets and Budgetary Accounting, (Continued)

Under current Oklahoma Statutes, a formal budget is required for all funds except for 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.

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 or certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

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

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

Summary of Significant Accounting Policies, (Continued)

Assets, Liabilities and Fund Equity, (Continued)

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

Compensated Absences - The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

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 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.

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

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

Summary of Significant Accounting Policies, (Continued)

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. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The Sinking Fund transferred $778.72 to the General Fund during the fiscal year ended June 30, 2012.

G. **Statement of Cash Flows**

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

2. **Cash and Investments**

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

Deposits - The District's cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the District at year end as follows:

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the District or by its agent in the District's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

(C) Uncollateralized.

Cash and Investments, (Continued)

Deposit Categories of Credit Risk, (Continued)

	Category (A)	Category (B)	Category (C)	Bank Balance
Cash	$ 307,188.90	$ 451,764.37	$ 0.00	$ 758,953.27
Investments	0.00	39,556.07	0.00	39,556.07
Totals	$ 307,188.90	$ 491,320.44	$ 0.00	$ 798,509.34

Investments - Investments consist of certificates of deposit or direct obligations of the United States Government and Agencies at June 30, 2012, and are categorized to give an indication of the level of risk assumed by the District.

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.

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

	Bonds Payable
Balance 7-1-11	$ 0.00
Additions	235,000.00
Retirements	0.00
Balance 6-30-12	$ 235,000.00

General Long-Term Debt (Continued)

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

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2012 Transportation Equipment Bond	0.60% - 1.00%	6-1-2017	$ 235,000.00	$ 235,000.00
			$ 235,000.00	$ 235,000.00

Presented below is a summary of debt service requirements for the remaining life of the 2012 Transportation Equipment Bond:

Year Ending June 30	Principal	Interest Rate	Interest	Total
2013	$ 0.00	0.60%	$ 2,010.00	$ 2,010.00
2014	55,000.00	0.60%	2,010.00	57,010.00
2015	60,000.00	0.80%	1,680.00	61,680.00
2016	60,000.00	1.00%	1,200.00	61,200.00
2017	60,000.00	1.00%	600.00	60,600.00
	$ 235,000.00		$ 7,500.00	$ 242,500.00

Interest expense on general long-term debt incurred during the current year totaled $0.00.

4. 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.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the Districts, which are not actuarial 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 effective January 1, 2010 and thereafter. 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 7.0% of each member's total compensation.

For the year ended June 30, 2012, the total compensation covered by the Teacher Retirement System was $751,690.95. The District's contributions to the System for the years ending June 30, 2012, 2011 and 2010 were $67,960.26, $54,538.72, and $66,879.37, respectively. The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Employee Retirement System, (Continued)

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 Benefit Obligation	$17,560,754,452
Actuarial Value of Assets	9,960,576,151
Unfunded Actuarial Accrued Liability	$ 7,600,178,301

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 become due. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

5. **Health Care Coverage**

During the year ended June 30, 2012, employees of the Gracemont Independent School District No. 86, Oklahoma, were covered by a health insurance plan (the plan). The teachers and support personnel may elect to be covered by the plan. The plan was authorized by House Bill 1731, 1988 Oklahoma Legislature (74 O.S. 1988, Supp. Section 1301-1322) with the Oklahoma State and Education Employers Group Insurance Board.

6. **Investment Income**

Investment income deposits are receipted as allocated by the Treasurer. School District Funds held by the Treasurer are required to be invested in accordance with Title 70 of the Oklahoma Statutes. Interest income on cash funds totaled $5,638.68.

7. **Contingencies**

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

8. **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.

9. **Surety Bonds**

The District has a bond, which covers the Treasurer, through Western Surety Company, bond number 69027121, for the penal sum of $100,000.00 for the term of July 1, 2011 to July 1, 2012.

The District has a bond, which covers the Secretary, through Western Surety Company, bond number 70594952, for the penal sum of $1,000.00 for the term of October 3, 2010 to October 3, 2011 and for the term of October 3, 2011 to October 3, 2012.

The District has a bond, which covers the Encumbrance Clerk Activity Fund, through Western Surety Company, bond number 71067641, for the penal sum of $1,000.00 for the term of February 22, 2011 to February 22, 2012 and for the term of February 22, 2012 to February 22, 2013.

Surety Bonds (Continued

The District has a bond, which covers the Custodian/Superintendent of Activity Funds, through Western Surety Company, bond number 70767280 for the penal sum of $100,000.00 for the term of July 1, 2011 to July 1, 2012.

The District has a bond, which covers the Minute Clerk through Western Surety Company, bond number 61085461, for the penal sum of $1,000.00 for the term of July 1, 2011 to July 1, 2012.

10. **Subsequent Events**

Management has evaluated subsequent events through February 1, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

SUPPORTING SCHEDULES

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

COMBINING FINANCIAL STATEMENTS

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

Schedule 4-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Building Fund	Child Nutrition Fund	Insurance Fund	Totals 2012
ASSETS				
Cash and Investments	$ 30,595.26	$ 21,949.66	$ 11,304.02	$ 63,848.94
Total Assets	$ 30,595.26	$ 21,949.66	$ 11,304.02	$ 63,848.94
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Payable	$ 1,071.72	$ 2,023.58	$ 0.00	$ 3,095.30
Encumbrances	0.00	0.00	0.00	0.00
Total Liabilities	1,071.72	2,023.58	0.00	3,095.30
Total Fund Balances	29,523.54	19,926.08	11,304.02	60,753.64
Total Liabilities and Fund Balances	$ 30,595.26	$ 21,949.66	$ 11,304.02	$ 63,848.94

Schedule 5-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund	Child Nutrition Fund	Insurance Fund	Totals 2012
Revenues:				
Local Sources	$ 23,765.06	$ 19,201.31	$ 11,316.91	$ 54,283.28
Intermediate Sources	0.00	0.00	0.00	0.00
State Sources	0.00	11,354.39	0.00	11,354.39
Federal Sources	0.00	73,150.76	0.00	73,150.76
Total Revenues Collected	23,765.06	103,706.46	11,316.91	138,788.43
Expenditures:				
Instruction	0.00	0.00	0.00	0.00
Support Services	25,085.61	0.00	1,930.97	27,016.58
Non-Instructional Services	743.48	95,056.99	0.00	95,800.47
Capital Outlay	0.00	0.00	0.00	0.00
Other Outlays	0.00	0.00	0.00	0.00
Total Expenditures	25,829.09	95,056.99	1,930.97	122,817.05
Excess of Revenues Over (Under) Expenditures	(2,064.03)	8,649.47	9,385.94	15,971.38
Adjustments to Prior-Year Encumbrances	0.00	0.00	0.00	0.00
Beginning Fund Balances	31,587.57	11,276.61	1,918.08	44,782.26
Ending Fund Balances	$ 29,523.54	$ 19,926.08	$ 11,304.02	$ 60,753.64

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	$ 31,587.57	$ 31,587.57	$ 31,587.57
Revenues:			
Local sources	20,655.09	20,655.09	23,765.06
Intermediate sources	0.00	0.00	0.00
State sources	0.00	0.00	0.00
Federal sources	0.00	0.00	0.00
Total Revenue, budgetary basis	20,655.09	20,655.09	23,765.06
Expenditures:			
Instruction	0.00	0.00	0.00
Support services	51,419.23	51,419.23	25,085.61
Non - Instructional services	823.43	823.43	743.48
Capital Outlay	0.00	0.00	0.00
Other Outlays	0.00	0.00	0.00
Total Expenditures, budgetary basis	52,242.66	52,242.66	25,829.09
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	29,523.54
Other financing sources (uses):			
Bond sale proceeds	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	29,523.54
Adjustments to prior year encumbrances	0.00	0.00	0.00
Ending fund balances	$ 0.00	$ 0.00	$ 29,523.54

Child Nutrition Fund			Insurance Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ 11,276.61	$ 11,276.61	$ 11,276.61	$ 1,918.08	$ 1,918.08	$ 1,918.08
15,904.09	15,904.09	19,201.31	11,316.91	11,316.91	11,316.91
0.00	0.00	0.00	0.00	0.00	0.00
9,063.45	9,063.45	11,354.39	0.00	0.00	0.00
59,000.85	59,000.85	73,150.76	0.00	0.00	0.00
83,968.39	83,968.39	103,706.46	11,316.91	11,316.91	11,316.91
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	13,234.99	13,234.99	1,930.97
95,245.00	95,245.00	95,056.99	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
95,245.00	95,245.00	95,056.99	13,234.99	13,234.99	1,930.97
0.00	0.00	19,926.08	0.00	0.00	11,304.02
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	19,926.08	0.00	0.00	11,304.02
0.00	0.00	0.00	0.00	0.00	0.00
$ 0.00	$ 0.00	$ 19,926.08	$ 0.00	$ 0.00	$ 11,304.02

Schedule 7-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - ALL CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Bond Fund	Totals 2012
ASSETS		
Cash and Investments	$ 235,000.00	$ 235,000.00
Total Assets	$ 235,000.00	$ 235,000.00
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants payable	$ 0.00	$ 0.00
Total Liabilities	0.00	0.00
Fund Equity:		
Designated for Capital Projects	235,000.00	235,000.00
Total Fund Balance	235,000.00	235,000.00
Total Liabilities and Fund Balance	$ 235,000.00	$ 235,000.00

Schedule 8-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Bond Fund	Totals 2012
Revenues:		
Local Sources	$ 235,006.84	$ 235,006.84
Total Revenues Collected	235,006.84	235,006.84
Expenditures:		
Capital Outlay	1,024.50	1,024.50
Other Outlays	0.00	0.00
Total Expenditures	1,024.50	1,024.50
Excess of Revenues Over (Under) Expenditures	233,982.34	233,982.34
Other Financing Sources (Uses)		
Bond-Sale Proceeds	0.00	0.00
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	233,982.34	233,982.34
Adjustments to prior year encumbrances	0.00	0.00
Beginning Fund Balance	1,017.66	1,017.66
Ending Fund Balance	$ 235,000.00	$ 235,000.00

Schedule 9-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2012

	Agency Fund Activities Fund	Totals 2012
ASSETS		
Cash and Investments	$ 57,188.90	$ 57,188.90
Total Assets	$ 57,188.90	$ 57,188.90
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to Others	$ 57,188.90	$ 57,188.90
Total Liabilities	57,188.90	57,188.90
Total Fund Balance	0.00	0.00
Total Liabilities and Fund Balance	$ 57,188.90	$ 57,188.90

Schedule 10-00

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
- REGULATORY BASIS -
ALL AGENCY FUNDS
JULY 1, 2011 THROUGH JUNE 30, 2012

ASSETS ACTIVITIES	Beginning Balance As of 7-1-11	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of 6-30-12
General Activity	$ 4,031.16	$ 1,974.35	$ 1,108.37	$ 5,382.24	$ 1,731.64
Athletics	19,127.64	15,303.51	956.46	17,485.66	17,901.95
General Fund Refund	0.00	285.00	(285.00)	0.00	0.00
Shop	164.39	0.00	1.30	138.74	26.95
4-H	5,208.01	2,320.50	52.14	2,151.24	5,429.41
Pep Club	376.50	0.00	3.73	0.00	380.23
Annual	2,202.55	3,793.72	(1,376.83)	1,725.23	2,894.21
Elementary	3,065.18	985.40	29.47	977.47	3,102.58
Foreign Language	0.00	0.00	0.00	0.00	0.00
Art	0.00	453.00	0.76	453.06	0.70
Vocal Music	9.51	250.00	0.73	250.00	10.24
Alternative Ed	910.78	0.00	(910.78)	0.00	0.00
Class of 2009	0.00	0.00	0.00	0.00	0.00
Meritt Club	64.69	0.00	0.35	36.00	29.04
Gracemont Academic Team	366.20	0.00	2.80	100.00	269.00
Class of 2014	2,900.62	5,393.21	23.42	2,159.38	6,157.87
Class of 2011	0.00	0.00	0.00	0.00	0.00
Room 236 Fund	200.83	0.00	(200.83)	0.00	0.00
Class of 2012	9,611.59	50,570.92	(11,769.68)	48,412.83	0.00
Flower Fund	178.97	70.00	1.88	111.01	139.84
Drama	466.23	340.05	4.19	216.40	594.07
Student Council	28.46	805.43	2.97	483.89	352.97
Library	135.64	2,059.91	1.45	1,989.91	207.09
Class of 2013	5,981.11	21,312.68	(23.22)	12,960.69	14,309.88
Robotics	10,137.67	5,264.00	5.67	12,701.54	2,705.80
Class of 2015	0.00	2,584.00	9.93	1,648.50	945.43
TOTAL ASSETS	$ 65,167.73	$ 113,765.68	$ (12,360.72)	$ 109,383.79	$ 57,188.90
LIABILITIES					
Due to Student Groups	$ 65,167.73	$ 113,765.68	$ (12,360.72)	$ 109,383.79	$ 57,188.90
TOTAL LIABILITIES	$ 65,167.73	$ 113,765.68	$ (12,360.72)	$ 109,383.79	$ 57,188.90

SUPPLEMENTARY INFORMATION

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Approved Amount	Balance at July 1, 2011	Receipts	Expenditures	Balance at June 30, 2012
U.S. Department of Education Direct Programs:							
2010-2011 Programs							
Title VIII - Impact Aid	84.041	591	$ 109,420.10	$ 28,062.36	$ 0.00	$ 28,062.36	$ 0.00
2011-2012 Programs							
Title VI - Small Rural School Achievement S358.	84.358	588	3,869.60	0.00	3,869.60	3,869.60	0.00
Title VI - Small Rural School Achievement S358.	84.358	588	11,942.00	0.00	7,756.31	7,756.31	0.00
Title VII - Part A Indian Education	84.060	561	24,845.00	0.00	22,570.83	24,845.00	(2,274.17)
Title VIII - Impact Aid	84.041	591	67,749.61	0.00	67,749.61	67,749.61	0.00
Total U.S. Department of Education			217,826.31	28,062.36	101,946.35	132,282.88	(2,274.17)
Passed Through State Department of Education:							
2010-2011. Programs							
Title I	84.010	511	45,399.99	(8,440.64)	8,440.64	0.00	0.00
Title I - Part A, ARRA	84.389	516	333.43	(333.43)	333.43	0.00	0.00
Title II - Part A	84.367	541	14,809.74	(650.00)	650.00	0.00	0.00
IDEA B Flowthrough	84.027	621	37,935.41	(10,469.90)	10,469.90	0.00	(0.00)
IDEA-B Preschool	84.173	641	387.53	(387.53)	387.53	0.00	0.00
Education Jobs Fund	84.410	790	35,753.00	(10,534.17)	10,534.17	0.00	0.00
2011-2012 Programs							
Title I	84.010	511	41,351.46	0.00	0.00	41,332.18	(41,332.18)
Title II - Part A	84.367	541	12,717.70	0.00	0.00	12,673.16	(12,673.16)
IDEA B Flowthrough	84.027	621	35,173.61	0.00	35,173.61	35,173.61	0.00
IDEA-B Preschool	84.173	641	178.86	0.00	0.00	178.86	(178.86)
Total State Department of Education			224,040.73	(30,815.67)	65,989.28	89,357.81	(54,184.20)
Total U.S. and State Department of Education:			441,867.04	(2,753.31)	167,935.63	221,640.69	(56,458.37)
U.S. Department of Agriculture:							
Passed Through State Dept. of Education:							
Cash Assistance:							
National School Lunch Program	10.555	763	47,697.44	0.00	47,697.44	34,244.56	13,452.88
School Breakfast Program	10.553	764	25,453.32	0.00	25,453.32	7,741.67	17,711.65
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555	n/a	5,329.11	0.00	5,329.11	5,329.11	0.00
Total U.S. Department of Agriculture			78,479.87	0.00	78,479.87	47,315.34	31,164.53
Total Federal Assistance			$ 520,346.91	$ (2,753.31)	$ 246,415.50	$ 268,956.03	$ (25,293.84)

Note - The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

OF

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA

BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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RICK D. MILLER

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INDEPENDENT AUDITOR'S 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
Gracemont Independent School District No. 86
Gracemont, Caddo County, Oklahoma

We have audited the financial statements of Gracemont Independent School District No. 86, Gracemont, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 1, 2013. As stated in our report, the financial statements were prepared in compliance with the cash basis as prescribed by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gracemont Independent School District No. 86, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gracemont Independent School District No. 86, Gracemont, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Gracemont Independent School District No. 86, Gracemont, Oklahoma, in a separate statement of audit comments included with this report.

This report is intended solely for the information and use of the Board of Education and administrative employees, and all applicable county, state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
February 1, 2013

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2012

CURRENT YEAR

1. During our audit of the Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.

PRIOR YEAR

None

Gracemont Public Schools
Post Office Box 5
417 East McCall Street
GRACEMONT, OKLAHOMA 73042-0005

(405) 966-2233 HIGH SCHOOL
(405) 966-2551 ELEMENTARY
(405) 966-2395 FAX HIGH SCHOOL
(405 966-2100 FAX ELEMENTARY

February 12, 2013
Britton, Kuykendall, & Miller
P.O. Box 507
Weatherford, OK 73096

Dear Mr. Rick Miller:

The following is a response to the audit comment of February 11, 2013:

1. During our In-service prior to the 2012-2013 school year, August 15-17, proper purchasing procedures were discussed with all staff members. The entire process of purchasing was reviewed from the purchase request, checking in ordered items, and signing packing slips to turn in to the office. At our February 18, 2013 In-service, we will again review with staff the importance of the person making the purchase signing the invoice, statement, or delivery ticket to indicate goods and services are received.

Thank you for your assistance with the audit and all of your help.

Respectfully,

Mike Jones, Superintendent
Gracemont Public School

GRACEMONT INDEPENDENT SCHOOL DISTRICT NO. 86
CADDO COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANTS' PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 THROUGH JUNE 30, 2012

State of Oklahoma)
) ss
County of Custer)

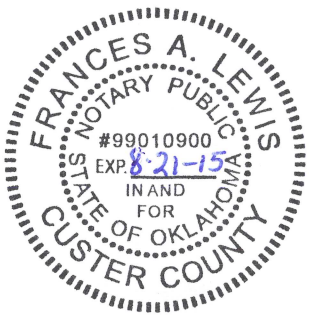
The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountants' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Gracemont Independent School District No. 86, Oklahoma, for the audit year 2011-2012.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

By Rick Miller

Subscribed and sworn to before me this 11th day of February, 2013.

Frances A. Lewis
NOTARY PUBLIC

My commission expires 8-21-15.