



Financial Statements  
June 30, 2011

# Lawton Independent School District No. 8

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2011, on our consideration of the District'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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 36 through 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements as a whole. The information shown in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the District. The combining nonmajor fund financial statements, the combining statement of changes in assets and liabilities- all activity funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The budgetary comparison schedule – building fund; statement of statutory, fidelity, and honesty bonds; and the schedule of accountants' professional liability insurance affidavit have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and address.

Oklahoma City, Oklahoma  
December 6, 2011

## Introduction

The discussion and analysis of Lawton Public Schools (the District) financial performance provides an overall review of district financial activities for the fiscal year ended June 30, 2011. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2010 and 2011 and a comparative analysis of financial information from those years is presented to aid the reader in a more meaningful understanding of the District's financial performance for Fiscal Year 2011.

## Financial Highlights

Fiscal Year 2011 operations generated significant budget activity for the General Fund. Current information is presented along side that of Fiscal Year 2010 to illustrate changes in General Fund balance. Both years are presented on the modified accrual basis of accounting.

	Beg Fund Balance	Revenue	Expenditures	End Fund Balance
FY2010	\$3,960,040	\$125,424,346	\$127,690,261	\$1,694,125
FY2011	\$1,694,125	\$123,261,116	\$121,985,348	\$2,969,893

The District's assets exceeded its liabilities by \$68,048,818 as of June 30, 2011. This was an increase of \$5,765,258 over the June 30, 2010 ending net assets.

The District's bond fund has made a huge impact in numerous areas. Much needed renovations and repairs on the very old buildings in the District, to include the classroom addition at Crosby Park was complete; the Doors and Hardware projects at Whittier, Wilson, Edison, Eisenhower Elementary, and Country Club were completed.

Net Assessed valuation amounts and growth rates are presented below. Prospects for continued growth in local revenues appear to be good. Net Assessed valuation provides the basis for the calculation of county Ad Valorem (property) taxes that are distributed to the district each year. The benefit of this growth impacts both the general and building funds.

2008	\$353,161,329	5.2%
2009	\$370,387,780	4.7%
2010	\$390,273,140	5.1%
2011	\$408,988,549	4.6%

### Overview of the Financial Statements

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

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

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

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

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

The governmental activities of the District include regular and special education, transportation and administration and include the child nutrition program. The government-wide financial statements can be found on pages 12-13 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spending, resources available at the end of the fiscal year. Such information may be useful in evaluating the District near-term financing requirements. Most of the District's

basic services are included here, such as regular and special education, transportation, administration, and the child nutrition program. Property taxes, federal and state grants, and state aid formula finance most of these activities.

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

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

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

The basic governmental fund financial statements can be found on pages 14-15 and a reconciliation to the government wide totals can be found on page 16.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains the endowment fund (private purpose trust) as a fiduciary fund. The fiduciary fund financial statements can be found on pages 20-21 of this report.

**Proprietary Funds.** Proprietary funds are used to account for resources held for workers compensation claims and sick leave incentives. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The proprietary fund financial statements can be found on pages 17-19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 22-35 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the general and building funds. Required supplementary information can be found on pages 36-37 of this report. Other supplementary information can be found on the table of contents for additional analysis.

## Government-Wide Financial Analysis

Statement of Net Assets. Net assets serve over time as a useful indicator of a government's financial position. The change in net assets is important because it identifies whether the financial position of the District has improved or diminished. At the close of the FY 2011, the District's assets exceeded liabilities by \$68,048,818. This was an increase of \$5,765,258 over the close of the FY 2010 net assets.

***Lawton Independent School District No. 8  
Comanche County  
Comparative Statement of Net Assets  
FY 10 vs. FY11***

**Governmental Activities**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>Difference</b>	<b>% Change</b>
<b>Assets</b>				
Current assets	\$ 58,163,508	\$ 59,407,127	\$ 1,243,619	2%
Capital and other assets	\$ 57,787,271	\$ 60,782,814	\$ 2,995,543	5%
Total assets	<u>\$ 115,950,779</u>	<u>\$ 120,189,941</u>	<u>\$ 4,239,162</u>	4%
<b>Liabilities</b>				
Current liabilities	\$ 17,468,561	\$ 26,305,058	\$ 8,836,497	51%
Long-term liabilities	\$ 36,198,659	\$ 25,836,065	\$ (10,362,594)	-29%
Total liabilities	<u>\$ 53,667,220</u>	<u>\$ 52,141,123</u>	<u>\$ (1,526,097)</u>	-3%
<b>Net assets</b>				
Invested	\$ 51,103,102	\$ 54,476,363	\$ 3,373,261	7%
Restricted	\$ 10,335,686	\$ 11,522,565	\$ 1,186,879	11%
Unrestricted	\$ 844,771	\$ 2,049,890	\$ 1,205,119	143%
Total net assets	<u><u>\$ 62,283,559</u></u>	<u><u>\$ 68,048,818</u></u>	<u><u>\$ 5,765,259</u></u>	9%

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

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,049,890 may be used to meet the District's ongoing obligations to citizens and creditors.

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

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

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

***Lawton Independent School District No. 8  
Comanche County  
Comparative Change in Net Assets  
FY 10 vs. FY 11***

**Governmental Activities**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>Difference</b>	<b>% Changes</b>
Revenues:				
Program Revenues				
Charges for services	\$ 5,706,848	\$ 5,830,313	\$ 123,465	2%
Operating Grants/Contribution	\$ 30,980,631	\$ 29,072,536	\$ (1,908,095)	-6%
General Revenues				
Property Taxes	\$ 19,287,498	\$ 19,877,569	\$ 590,071	3%
State Formula Aid	\$ 61,093,133	\$ 60,771,273	\$ (321,860)	-1%
Federal Formula Aid	\$ 7,358,352	\$ 7,879,178	\$ 520,826	7%
General Taxes	\$ 13,266,151	\$ 15,765,955	\$ 2,499,804	19%
Other	\$ 19,650	\$ 429,351	\$ 409,701	2085%
Total Revenue	<u>\$ 137,712,263</u>	<u>\$ 139,626,175</u>	<u>\$ 1,913,912</u>	1%
Expenditures:				
Instruction	\$ 73,980,189	\$ 69,174,198	\$ (4,805,991)	-6%
Support Services	\$ 51,258,115	\$ 50,441,652	\$ (816,463)	-2%
Non-instruction services	\$ 6,231,766	\$ 10,511,286	\$ 4,279,520	69%
Other	\$ 3,587,395	\$ 3,733,781	\$ 146,386	4%
Total Expenditures	<u>\$ 135,057,465</u>	<u>\$ 133,860,917</u>	<u>\$ (1,196,548)</u>	-1%
Change in net assets	<u>\$ 2,654,798</u>	<u>\$ 5,765,258</u>	<u>\$ 3,110,460</u>	117%

Significant fluctuations occurred in specific government activity categories. Operating grants and contributions decreased due to receiving less federal stimulus funds than the District received in the previous year. General taxes increased due to the new sales tax agreement with the City of Lawton. Increases were seen in the non-instruction services and decreases in the instruction services due to budget reduction by the District as part of the general loss in State and stimulus funding. Other revenue consists of interest earnings and increases from the prior year from the higher rates earned at financial institutions.

## Financial Analysis of the Government's Funds

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

Governmental funds. The general fund is the chief operating fund of the District. At June 30, 2011, the general fund balance was \$2,969,893 with \$1,248,770 assigned and \$487,443 nonspendable, leaving an unassigned fund balance of \$1,233,680.

The costs of the District's main activities: instruction, support services, non-instruction services, capital outlays, and debt service are shown in comparison from FY10 to FY11.

***Lawton Independent School District No. 8  
Comanche County  
Comparison of Total Costs  
FY 10 vs. FY 11***

	<b><i>FY 2010</i></b>	<b><i>FY 2011</i></b>	<b><i>Change</i></b>	<b><i>% Change</i></b>
Instruction	\$ 73,732,294	\$ 68,746,354	\$ (4,985,940)	-6.8%
Support services	51,390,022	50,173,104	(1,216,918)	-2.4%
Non-instructional services	8,332,103	8,387,783	55,680	0.7%
Capital outlays	1,368,734	5,525,106	4,156,372	303.7%
Debt service	3,327,027	7,171,753	3,844,726	115.6%
Other outlays	811,758	771,851	(39,907)	-4.9%
Total cost of services	<u>\$ 138,961,938</u>	<u>\$ 140,775,951</u>	<u>\$ 1,814,013</u>	1.3%

The total costs of the District increased by \$1.8 million in FY 2011 over FY 2010. The most significant increases were in the area of debt services and capital outlays, increasing by \$3,844,726 and \$4,156,372 over FY 2010, respectively. These increases are a result of the construction projects funded by the lease revenue agreement bond agreement.

There was also a significant decrease in instruction and support by \$4,985,940 due to the decrease in stimulus funding.

## Capital Assets and Debt Administration

Capital Assets. The greatest increase in the District's capital assets comes in the areas of Construction in Progress; the increase was due the classroom addition construction at Eisenhower Elementary, MacArthur Senior High, Lawton Senior High, Cleveland Elementary, Pioneer Park, and Sullivan Village.

Overall the capital assets increased by \$5.2 million before depreciation and \$3.0 million net, after depreciation.

***Lawton Independent School District No. 8  
Comanche County  
Comparison of Capital Assets, net of Depreciation  
FY 10 vs. FY 11***

	<b>FY 2010</b>	<b>FY 2011</b>	<b>Increase/ Decrease</b>	<b>% Change</b>
Capital Assets (not depreciated)				
Land	\$ 3,102,269	\$ 3,102,269	\$ -	0%
Construction in Progress	636,604	3,175,812	2,539,208	399%
Total Capital Assets (not depreciated)	<u>3,738,873</u>	<u>6,278,081</u>	<u>2,539,208</u>	68%
Capital Assets (depreciated)				
Buildings	67,690,805	68,729,352	1,038,547	2%
Improvements	16,669,104	17,428,643	759,539	5%
Furniture and Equipment	3,589,203	3,785,991	196,788	5%
Musical Instruments	1,516,922	1,518,572	1,650	0%
Computers	8,859,811	9,386,907	527,096	6%
Vehicles	8,050,481	8,194,763	144,282	2%
Total Capital Assets (being depreciated)	<u>106,376,324</u>	<u>109,044,228</u>	<u>2,667,902</u>	3%
Accumulated Depreciation				
Buildings	(33,598,821)	(34,773,703)	(1,174,882)	3%
Improvements	(2,331,741)	(3,105,407)	(773,666)	33%
Furniture and Equipment	(2,563,118)	(2,516,645)	46,473	-2%
Musical Instruments	(1,441,386)	(1,465,724)	(24,338)	2%
Computers	(5,742,906)	(6,079,743)	(336,837)	6%
Vehicles	(6,649,957)	(6,598,273)	51,684	-1%
Total Accumulated Depreciation	<u>(52,327,929)</u>	<u>(54,539,495)</u>	<u>(2,211,566)</u>	4%
Total Net Capital Assets (being depreciated)	54,048,395	54,504,733	456,336	1%
Net Government Activity	<u>\$ 57,787,268</u>	<u>\$ 60,782,814</u>	<u>\$ 2,995,544</u>	5%

Additional information concerning the District's Capital Assets is contained in the notes to the financial statements in Note 10.

Debt. At the close of FY 2011 the District's Bonds Payable remained the same. The accrued compensated absences increase by only \$93,609; 5% over FY 2010. The Lease Revenue Note Payable of \$20,000,000 in conjunction with the City Sales Tax passed for the renovation and construction of various school sites decreased by \$3,890,000 due to regular debt service for the year. The District added the Judgment Payable of \$1,450,000 from the retired teachers. The total judgment is \$1,450,000 that will be paid over a three year period.

***Lawton Independent School District No. 8  
Comanche County  
Comparison of Long-Term Liabilities  
FY 10 vs. FY 11***

	<b><i>FY2010</i></b>	<b><i>FY2011</i></b>	<b><i>Increase/ Decrease</i></b>	<b><i>% Change</i></b>
Bonds Payable	\$ 12,000,000	\$ 12,000,000	\$ -	0%
Accrued Compensated Absences	1,831,963	1,925,572	93,609	5%
Lease Note Payable	20,000,000	16,110,000	(3,890,000)	100%
Lease Escrow/TAC Energy Project	2,266,428	2,133,844	(132,584)	-6%
Judgment Payable	-	1,450,000	1,450,000	100%
Total long-term liabilities	<u>\$ 36,098,391</u>	<u>\$ 33,619,416</u>	<u>\$ (2,478,975)</u>	-7%

Additional information concerning the District's long-term liabilities is contained in the notes to the financial statements in Note 3.

**General Fund Budgetary Highlights**

During the 2010-2011 year, the District estimated \$124,725,619 general fund revenue to be collected with \$77,214,307 of that revenue as district-wide. However, the general fund only collected \$123,261,116 with \$78,110,944 designated as district-wide revenue. This was a 1.2% decrease in estimated total revenue with a 1.15% increase in the district-wide portion of the revenue. The district-wide revenue increase was a result of an increase in school land earning revenues being up. The total revenue was relatively flat due to the funding levels at the state and federal level not increasing over the prior year.

The FY'11 budget also projected expenditures of \$126,648,790 leaving the reserve at \$0. The actual general fund expenditures came to \$121,985,348 with \$73,671,614 spent in district-wide expenditures.

The FY'11 budget projected salaries at \$83,934,438 and \$23,332,377 for benefits; totaling \$107,266,815, which is the District's most significant expenditure. The district closed the year with salaries and benefits totaling \$107,693,044; \$83,852,159 in salaries and \$23,840,885 in benefits.

**Current & Future Issues**

The FY'12 projected budget forecasts revenue to be less than the FY'11 projected revenue collected. The general fund projected revenue is \$119,360,328, an overall decrease of \$5,365,291 from the FY'11 actual revenue collected. The projected budget decreases is largely due to a \$7,603,492 decrease in ARRA (American Recovery and Reinvestment Act of 2010) funds. Salaries are projected at \$80,454,238 and benefits \$23,174,114; totaling \$103,628,352. The decrease in salary and benefits is a result of a decrease in staff due to the closing of two elementary schools at end of FY 2011.

The FY'12 building levy portion of this budget will appear to increase by \$327,566 due to the carryover from FY'10 decreasing by \$27,125 and a \$349,691 carryover from a donation from the McMahon Foundation for renovations at Lawton Senior High School.

The FY'12 budget will, for the eighth year, include a bond fund. These funds will be used for security, new roofs at various schools, upgrade to electrical systems, flooring and restrooms at 31 schools, the construction of gymnasiums at 11 elementary sites, needed improvements in the cafeterias, parking lots, athletic tracks at the three high schools and much need classroom space at 4 elementary schools. The classroom addition at Crosby Park was complete; the Doors and Hardware projects at Whittier, Wilson, Edison, Eisenhower Elementary, and Country Club were completed since year-end.

The Learning Tree Security and Reroof projects are in progress, along with the security at Ridgecrest and the EHS partial reroof and been started. The classroom additions at Eisenhower Elementary, MHS, LHS, Cleveland, Pioneer Park and Sullivan Village are also now in progress, scheduled to be completed during FY12.

FY'12 will be the final year for the sale of bonds coming into the bond fund.

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

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

Lawton Independent School District No. 8  
Comanche County  
Statement of Net Assets  
June 30, 2011

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	Governmental Activities
Assets	
Cash	\$ 195,011
Investments	30,017,284
Restricted Cash	17,532,893
Property Taxes Receivable (Net)	1,759,519
Due from Other Governments	6,115,286
Other Receivables	943,802
Notes Receivable	188,160
Prepaid Maintenance Expense	2,133,844
Inventories	521,328
Nondepreciated Capital Assets	6,278,081
Depreciated Capital Assets, Net of Depreciation	54,504,733
	<hr/>
Total assets	\$120,189,941
	<hr/>
Liabilities	
Accounts Payable	661,081
Salaries and Related Benefits	17,387,345
Deferred Revenue	227,492
Accrued Interest	245,789
Long-Term Obligations	
Due within one year	7,783,351
Due beyond one year	25,836,065
	<hr/>
Total liabilities	\$ 52,141,123
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 54,476,363
Restricted for:	
Debt service	7,335,374
Buildings	1,971,922
School organizations	1,817,315
Other	397,954
Unrestricted	2,049,890
Total net assets	\$ 68,048,818
	<hr/>

Lawton Independent School District No. 8  
Comanche County  
Statement of Activities  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Total
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ (69,174,198)	\$ 425,387	\$ 23,125,418	\$ -	\$ (45,623,393)
Support services	(50,441,652)	2,685,869	447,867	--	(47,307,916)
Non-instruction services	(10,511,286)	2,719,057	5,499,251	--	(2,292,978)
Interest on long-term debt	(189,127)	--	--	--	(189,127)
Depreciation - unallocated	(3,544,654)	--	--	--	(3,544,654)
	<u>(133,860,917)</u>	<u>5,830,313</u>	<u>29,072,536</u>	<u>--</u>	<u>(98,958,068)</u>
Total School District	<u>\$ (133,860,917)</u>	<u>\$ 5,830,313</u>	<u>\$ 29,072,536</u>	<u>\$ -</u>	<u>\$ (98,958,068)</u>
General Revenues:					
Taxes					
Property taxes, levied for general purposes					14,588,620
Property taxes, levied for building purposes					2,085,842
Property taxes, levied for debt service					3,203,107
General taxes					15,765,955
State aid - formula grants					60,771,273
Federal aid - formula grants					7,879,178
Investment earnings					429,351
					<u>\$ 104,723,326</u>
					\$ 5,765,258
Net assets - beginning					<u>62,283,560</u>
Net assets - ending					<u>\$ 68,048,818</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County  
Balance Sheet – Governmental Funds  
June 30, 2011

	General Fund	Sinking Fund	Municipal Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Investments	\$ 13,820,589	8,090,519	\$ -	\$ 8,627,966	\$ 30,539,074
Restricted Cash	-	-	16,808,178	-	16,808,178
Property Taxes Receivable, Net	1,295,886	313,247	-	150,386	1,759,519
Other Receivables	123,037	660,000	160,626	121	943,784
Due from Other Governments	5,916,076	-	-	199,210	6,115,286
Inventories - Supplies, Materials	487,443	-	-	-	487,443
<b>Total Assets</b>	<b>\$ 21,643,031</b>	<b>\$ 9,063,766</b>	<b>\$ 16,968,804</b>	<b>\$ 8,977,683</b>	<b>\$ 56,653,284</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 66,488	\$ -	\$ 439,540	\$ 155,053	\$ 661,081
Salaries and Related Benefits	17,129,441	-	-	257,904	17,387,345
Deferred Revenue	1,477,209	302,367	-	143,785	1,923,361
<b>Total Liabilities</b>	<b>\$ 18,673,138</b>	<b>\$ 302,367</b>	<b>\$ 439,540</b>	<b>\$ 556,742</b>	<b>\$ 19,971,787</b>
<b>Fund Balances</b>					
Nonspendable	\$ 487,443	\$ -	\$ -	\$ -	\$ 487,443
Restricted	-	8,761,399	16,529,264	6,603,626	31,894,289
Committed	-	-	-	1,817,315	1,817,315
Assigned	1,248,770	-	-	-	1,248,770
Unassigned	1,233,680	-	-	-	1,233,680
<b>Fund Balances, End of Year</b>	<b>\$ 2,969,893</b>	<b>\$ 8,761,399</b>	<b>\$ 16,529,264</b>	<b>\$ 8,420,941</b>	<b>36,681,497</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,643,031</b>	<b>\$ 9,063,766</b>	<b>\$ 16,968,804</b>	<b>\$ 8,977,683</b>	

Amounts reported for governmental activities in the statement of net assets are different because: capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.  
The cost of the assets is \$115,322,309 and the accumulated depreciation is \$54,539,495.

60,782,814

Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

1,695,869

Some receivables are not reported in the governmental funds because they are not due in the current period.

188,160

Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned with the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds.

33,885

Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds of the District. These assets and liabilities of the internal service funds, which are reported as proprietary funds rather than governmental funds, are included in governmental activities in the statement of net assets.

397,954

Prepaid fees related to capital lease purchase agreement is reported for governmental activities but not at the fund level.

2,133,844

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$12,000,000
Long-term Lease Bond and related interest	16,110,000
Lease Escrow/TAC Energy Project	2,133,844
Judgments and related interest	1,483,578
Accrued Interest on Bonds	102,190
Accrued Interest on Lease	110,021
Compensated Absences	1,925,572

(33,865,205)

Total Net Assets - Governmental Activities

\$68,048,818

Lawton Independent School District No. 8  
Comanche County

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2011

	General Fund	Sinking Fund	Municipal Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 14,557,282	\$ 3,212,980	\$ -	\$ 2,081,361	\$ 19,851,623
Interest	12,131	399,100	94,497	1,610	507,338
County revenue	2,305,688	4,312,519	548,358	-	7,166,565
State revenue	70,265,571	-	-	616,693	70,882,264
Federal revenue	33,024,520	-	-	257,112	33,281,632
Other	2,659,381	-	20,228,227	3,627,002	26,514,610
Total Revenues	<u>\$ 122,824,573</u>	<u>\$ 7,924,599</u>	<u>\$ 20,871,082</u>	<u>\$ 6,583,778</u>	<u>\$ 158,204,032</u>
Expenditures					
Instruction	\$ 67,782,981	\$ -	\$ -	\$ 963,373	\$ 68,746,354
Support services	46,036,328	-	649,887	3,486,889	50,173,104
Non-instruction services	7,292,412	-	-	1,095,371	8,387,783
Capital outlays	180,912	-	3,959,704	1,384,490	5,525,106
Other outlays	692,715	-	-	79,136	771,851
Debt service					
Interest paid	-	281,751	-	-	281,751
Principal retirement	-	6,890,002	-	-	6,890,002
Total Expenditures	<u>\$ 121,985,348</u>	<u>\$ 7,171,753</u>	<u>\$ 4,609,591</u>	<u>\$ 7,009,259</u>	<u>\$ 140,775,951</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 839,225	\$ 752,846	\$ 16,261,491	\$ (425,481)	\$ 17,428,081
Other Financing Sources (Uses)					
Transfers in	\$ 436,543	\$ 1,647,970	\$ -	\$ -	\$ 2,084,513
Transfers out	-	-	(1,647,970)	(436,543)	(2,084,513)
Proceeds of bonds	-	-	-	3,000,000	3,000,000
Total Other Financing Sources (Uses)	<u>\$ 436,543</u>	<u>\$ 1,647,970</u>	<u>\$ (1,647,970)</u>	<u>\$ 2,563,457</u>	<u>\$ 3,000,000</u>
Net change in fund balance	\$ 1,275,768	\$ 2,400,816	\$ 14,613,521	\$ 2,137,976	\$ 20,428,081
Beginning Fund Balances	1,694,125	6,360,583	1,915,743	6,282,965	16,253,416
Ending Fund Balances	<u>\$ 2,969,893</u>	<u>\$ 8,761,399</u>	<u>\$ 16,529,264</u>	<u>\$ 8,420,941</u>	<u>\$ 36,681,497</u>

Lawton Independent School District No. 8  
Comanche County  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2011

The change in nets assets reported in the statement of activities is different because:			20,428,081
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation during the period.	Depreciation Expense Capital Outlays	\$ (3,544,654) <u>6,540,198</u>	2,995,544
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities.			25,948
In the statement of activities, compensated absences and retirement incentive are measured by the amounts earned during the year, are measured in expenditures for these items the amount of financial resources used (essentially the amounts actually paid). This year, vacation, sick leave and retirement incentive earned was more than amounts used.			(93,609)
Lease revenue proceeds are reported as other revenue in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Debt issued this year exceeded debt repayments.			(16,110,000)
The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the accrual-based government-wide financial statements.			(5,984)
Some sales of capital assets were financed through notes. In governmental funds, these sales are considered a source of revenue when funds are received, but in the statement of net assets, the notes receivable are reported as assets.			(7,943)
Judgments and related interest are are not reported as expenditures in the governmental funds but are reflected in the accrual-based government-wide financial statements.			(1,483,578)
Internal service funds are used to charge costs of workers' compensation, unemployment, and sick leave incentive payments to individual funds. The governmental funds include expenditures of \$94,772 that the internal service funds charged. The expenses of the governmental activities, however, do not reflect the amount paid, but the actual costs incurred (\$63,615). The difference represents the undercharge by the internal service funds that is allocated back to the governmental activities net of interest income earned of \$257.			(31,157)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as a use of current financial resources when paid. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			
Change in net assets of governmental activities			<u>47,956</u> <u>\$ 5,765,258</u>

Lawton Independent School District No. 8  
Comanche County  
Statement of Net Assets – Proprietary Funds  
June 30, 2011

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	Internal Service Funds		Total Proprietary Funds
	Workers' Compensation	Cafeteria	
Assets			
Cash and Investments	\$ 14,935	\$ 383,001	\$ 397,936
Other Receivables	-	18	18
Total Assets	<u>\$ 14,935</u>	<u>\$ 383,019</u>	<u>\$ 397,954</u>
Net Assets			
Restricted Expendable	<u>\$ 14,935</u>	<u>\$ 383,019</u>	<u>\$ 397,954</u>

Lawton Independent School District No. 8  
Comanche County  
Statement of Changes in Fund Net Assets – Proprietary Funds  
Year Ended June 30, 2011

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	Internal Service Funds		Total Proprietary Funds
	Workers' Compensation	Cafeteria	
Operating Revenues			
Charges to other funds	\$ 10,039	\$ 53,318	\$ 63,357
Total Operating Revenues	10,039	53,318	63,357
Operating Expenses			
Instruction	--	--	--
Other outlays	21,190	73,582	94,772
Total Operating Expenses	21,190	73,582	94,772
Operating Loss	(11,151)	(20,264)	(31,415)
Nonoperating Revenue			
Interest income	--	258	258
Change in Net Assets	(11,151)	(20,006)	(31,157)
Beginning Net Assets	26,086	403,025	429,111
Ending Net Assets	\$ 14,935	\$ 383,019	\$ 397,954

Lawton Independent School District No. 8  
Comanche County  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2011

	Internal Service Funds		Total Proprietary Funds
	Workers' Compensation	Cafeteria	
Cash Flows from Operating Activities			
Received from assessments made to other funds	\$ 10,039	\$ 53,318	\$ 63,357
Other receivables	--	(18)	(18)
Payments for claims	(21,190)	(73,582)	(94,772)
Net cash used by operating activities	(11,151)	(20,282)	(31,433)
Cash Flows from Investing Activities			
Interest on investments	--	258	258
Net cash provided by investing activities	--	258	258
Net Decrease in Cash	(11,151)	(20,024)	(31,175)
Cash and Cash Equivalents at Beginning of Year	26,086	403,025	429,111
Cash and Cash Equivalents at End of Year	<u>\$ 14,935</u>	<u>\$ 383,001</u>	<u>\$ 397,936</u>
Cash Flows from Operating Activities			
Operating loss	(11,151)	(20,264)	(31,415)
Adjustments to reconcile operating loss to			
Net cash provided by operations:			
(Increase) decrease in:			
Accounts receivable	--	(18)	(18)
Net cash used by operating activities	<u>\$ (11,151)</u>	<u>\$ (20,282)</u>	<u>\$ (31,433)</u>

Lawton Independent School District No. 8  
Comanche County  
Statement of Fiduciary Net Assets  
June 30, 2011

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	<u>Private- Purpose Trust</u>
Assets	
Pooled cash and investments	\$ 63,157
Other receivables	<u>4</u>
Total Assets	<u>\$ 63,161</u>
Net Assets	
Reserved for scholarships	<u>\$ 63,161</u>

Lawton Independent School District No. 8  
Comanche County  
Statement of Changes in Fiduciary Net Assets  
Year Ended June 30, 2011

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	<u>Purpose Trust</u>
Additions:	
Private donations	\$ 2,200
Interest	<u>70</u>
Total additions	<u>2,270</u>
Deductions	
Scholarships awarded	2,000
Other Refunds	<u>20,079</u>
Total deductions	<u>22,079</u>
Change in net assets	(19,809)
Net Assets- Beginning	<u>82,970</u>
Net Assets- Ending	<u><u>\$ 63,161</u></u>

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

The Lawton Independent School District No. 8 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

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

The Reporting Entity - The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

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

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

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

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

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

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

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

#### Basic Financial Statements – Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

The District reports the following major governmental funds:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Sinking Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Municipal Tax Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment as approved by voters for a special sales tax.

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

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

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

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

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

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

Receivables – The only receivables not expected to be collected within one year are amounts due on notes receivable after June 30, 2011. See also Note 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2010 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because all amounts are deemed collectible.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 44% of the District's revenue comes from state sources.

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

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

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

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

### **Net Assets and Fund Balance**

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

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

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

Restricted for Buildings – The component of net assets that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by enabling legislation.

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

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

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

The government-wide statement of net assets reports \$11,522,565 of restricted net assets, of which \$1,971,922 is restricted by enabling legislation.

**Governmental Fund Financial Statements** – The District has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

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

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

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

Lawton Independent School District No. 8  
Comanche County  
Notes to Financial Statements  
June 30, 2011

As of June 30, 2011, fund balances are comprised of the following:

	General Fund	Sinking Fund	Municipal Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable					
Inventory	\$ 487,443	\$ -	\$ -	\$ -	\$ 487,443
Restricted for:					
School construction	-	-	16,529,264	6,599,467	23,128,731
Debt service reserve	-	8,761,399	-	-	8,761,399
Other purposes	-	-	-	4,159	4,159
Committed to:					
School programs	-	-	-	1,817,315	1,817,315
Assigned to:					
Utilities	477,000	-	-	-	477,000
Construction and repairs	300,000	-	-	-	300,000
Contract services	393,470	-	-	-	393,470
Food services	75,000	-	-	-	75,000
Textbooks	3,300	-	-	-	3,300
Unassigned:	1,233,680	-	-	-	1,233,680
Total fund balances	<u>\$ 2,969,893</u>	<u>\$ 8,761,399</u>	<u>\$ 16,529,264</u>	<u>\$ 8,420,941</u>	<u>\$ 36,681,497</u>

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

## Note 2 - Cash and Investments

Deposits – At June 30, 2011, the bank balance of deposits and cash pools was \$18,158,707. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2011, the District was not exposed to custodial credit risk.

A portion of the District's cash is restricted for the purchase of capital assets under the lease revenue bond issue. Total restricted cash at June 30, 2011 is \$17,532,893.

Investments - The District participates in an external investment pool, Oklahoma Public School Liquid Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association, Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and the Oklahoma Association of School Business Officials. OLAP is governed through an inter local cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP reported value and fair market value are equal at June 30, 2011. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit [www.OLAPonline.org](http://www.OLAPonline.org). The District's other investments consist of money market mutual fund investments held in sweep accounts. Total investments at June 30, 2011 are \$30,080,441, which are shown on the statement of net assets at \$30,017,284 and on the statement of fiduciary net assets at \$63,157.

Credit Risk - Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The money market mutual fund investments of \$12,030,521 held with BancFirst, and the \$18,049,920 fair market value of the external investment pool, made up of government obligations, are rated AAA by Standard & Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Included in the District's cash and investments are investments with a fair market value of \$30,080,441 in money market mutual funds and an external investment pool. Due to the nature of these funds, there are no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

### Note 3 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in one year
Bonds payable	\$ 12,000,000	\$ 3,000,000	\$ (3,000,000)	\$ 12,000,000	\$ 3,000,000
Compensated absences	1,831,963	880,081	(786,472)	1,925,572	176,018
Lease note payable	20,000,000	-	(3,890,000)	16,110,000	3,865,000
Lease escrow/TAC energy project	2,266,429	-	(132,585)	2,133,844	259,000
Judgment payable	-	1,450,000	-	1,450,000	483,333
Long-term liabilities	<u>\$ 36,098,392</u>	<u>\$ 5,330,081</u>	<u>\$ (7,809,057)</u>	<u>\$ 33,619,416</u>	<u>\$ 7,783,351</u>

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

Bonds: Bonds payable June 30, 2011, is composed of the following individual general obligation bond issues:

Issue Amount	Purpose	Date	Annual	Final Payment	Maturity Date	Interest Rate
\$ 3,000,000	Building	12/1/2007	At Maturity	\$ 3,000,000	8/1/2011	3.50%
\$ 3,000,000	Building	4/1/2009	At Maturity	\$ 3,000,000	8/1/2012	2.45%
\$ 3,000,000	Building	4/1/2010	At Maturity	\$ 3,000,000	8/1/2013	2.00%
\$ 3,000,000	Building	6/1/2010	At Maturity	\$ 3,000,000	8/1/2014	1.125%

Lawton Independent School District No. 8  
Comanche County  
Notes to Financial Statements  
June 30, 2011

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The annual requirements to amortize all bond debt outstanding as of June 30, 2011 including interest payments are as follows:

Period Ending June 30	Principal	Interest	Total Debt Service
2012	\$ 3,000,000	\$ 214,125	\$ 3,214,125
2013	3,000,000	130,500	3,130,500
2014	3,000,000	63,750	3,063,750
2015	3,000,000	16,875	3,016,875
	<u>\$ 12,000,000</u>	<u>\$ 425,250</u>	<u>\$ 12,425,250</u>

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2011 is \$40,898,855.

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

As of June 30, 2011, voters have authorized an additional \$3,000,000 in bonds which are unissued.

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

Capital Lease: On June 17, 2009, the District entered into a lease purchase agreement for the purchase of small equipment and supplies as part of an energy conservation project for public school buildings in the amount of \$2,266,429. Annual payments will be made from the sinking fund beginning in July 2010 for repayment of the lease. As of June 30, 2011, all equipment and supplies have been purchased and installed. The remaining balance of \$2,133,844 is shown on the statement of net assets as prepaid maintenance expense. The following schedule presents future minimum lease payments:

	2012	2013	2014	2015	2015 and thereafter	Total
Future Minimum Lease Payments	\$ 259,000	\$ 259,000	\$ 259,000	\$ 259,000	\$ 1,813,000	\$ 2,849,000
Less: Interest	110,021	102,340	94,262	85,768	322,765	\$ 715,156
Present value of Minimum	<u>\$ 148,979</u>	<u>\$ 156,660</u>	<u>\$ 164,738</u>	<u>\$ 173,232</u>	<u>\$ 1,490,235</u>	<u>\$ 2,133,844</u>

See Note 11 for further discussion of the lease note payable.

#### **Note 4 - Employee Retirement System**

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

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2011. Plan members are required to contribute 7% of their annual covered salary. The District's contributions to PERS (net of retirement credit paid by the State of Oklahoma) for the years ending June 30, 2011, 2010, and 2009 were \$7,132,862, \$7,258,979, and \$6,218,850, respectively, equal to the required contributions for each year. State of Oklahoma contributions to the System on behalf of the District's employees for the year ended June 30, 2011 were \$974,738.

#### **Note 5 - Contingencies**

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

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

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

**Note 6 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 7 - Notes Receivable**

Notes receivable includes the following:

Note for sale of Kuntz Elementary, varying interest through September 2011, then fixed at 7%, payments due annually through September 2021.	\$188,160
Current portion	<u>(8,000)</u>
Long-term portion	<u><u>\$180,160</u></u>

**Note 8 - Schedule of Transfers**

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Transfer</u>
Student Activity Fund (Other Government Funds)	General Fund	\$ 436,543	Operating transfer
Municipal Tax Fund	Sinking Fund	<u>1,647,970</u>	Operating transfer
Total transfers between funds		<u><u>\$ 2,084,513</u></u>	

**Note 9 - Operating Lease**

The District has a lease with a vendor for the use of copier machines at all District locations. The lease expired on June 30, 2011 but was renewed by the District for an additional year which ends June 30, 2012. The lease is renewable at the District's option for one year increments. The total lease expense paid by the District for the year ended June 30, 2011 was approximately \$544,000. Total lease expense anticipated for fiscal year 2012 is approximately \$525,000.

## Note 10 - Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated:				
Land	\$ 3,102,269	\$ -	\$ -	\$ 3,102,269
Construction in progress	636,604	3,144,325	605,117	3,175,812
Total capital assets not being depreciated	<u>\$ 3,738,873</u>	<u>\$ 3,144,325</u>	<u>\$ 605,117</u>	<u>\$ 6,278,081</u>
Capital Assets being depreciated:				
Buildings	\$ 67,690,805	\$ 1,038,547	\$ -	\$ 68,729,352
Improvements	16,669,104	759,539	-	17,428,643
Furniture and equipment	3,589,203	513,526	316,738	3,785,991
Musical instruments	1,516,922	1,650	-	1,518,572
Computers	8,859,811	1,231,110	704,014	9,386,907
Vehicles	8,050,481	486,805	342,523	8,194,763
Total capital assets being depreciated	<u>\$106,376,326</u>	<u>\$ 4,031,177</u>	<u>\$ 1,363,275</u>	<u>\$109,044,228</u>
Less Accumulated Depreciation for:				
Buildings	\$ (33,598,821)	\$ (1,174,882)	\$ -	\$ (34,773,703)
Improvements	(2,331,741)	(773,666)	-	(3,105,407)
Furniture and equipment	(2,563,118)	(249,693)	296,166	(2,516,645)
Musical instruments	(1,441,386)	(24,338)	-	(1,465,724)
Computers	(5,742,906)	(1,031,236)	694,399	(6,079,743)
Vehicles	(6,649,957)	(290,839)	342,523	(6,598,273)
Total accumulated depreciation	<u>\$ (52,327,929)</u>	<u>\$ (3,544,654)</u>	<u>\$ 1,333,088</u>	<u>\$ (54,539,495)</u>
Total capital assets being depreciated, net	<u>\$ 54,048,397</u>	<u>\$ 486,523</u>	<u>\$ 2,696,363</u>	<u>\$ 54,504,733</u>
Capital assets, net	<u>\$ 57,787,270</u>	<u>\$ 3,630,848</u>	<u>\$ 3,301,480</u>	<u>\$ 60,782,814</u>

## Note 11 - Lease Revenue Bond Agreement

The District entered into a lease agreement on June 15, 2010 with the Oklahoma Development Finance Authority (the Authority) in which the Authority advanced \$20,000,000 in lease revenue bonds, series 2010, to the District for the acquisition and construction of buildings, improvements, and equipment. The District will use money received from the City of Lawton (the City) from a special sales tax voted and approved by voters of the City of Lawton for repayment of the lease (see Note 12).

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

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

<u>Maturity March 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$ 3,865,000	3.50%	1.72%
2013	4,000,000	2.00%	2.20%
2014	4,075,000	2.30%	2.30%
2015	4,170,000	2.70%	2.70%

A principal payment of \$3,890,000 was made during fiscal year 2011 along with interest of \$396,615. The interest was paid by the Department during fiscal year 2011. The long-term lease payable is included on the accompanying statement of net assets. See also Note 3 for the long-term lease payable amount as of June 30, 2011.

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

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

#### **Note 12 - Sales Tax Agreement**

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



Required Supplementary Information  
June 30, 2011

# Lawton Independent School District No. 8

Lawton Independent School District No. 8  
Comanche County  
Budgetary Comparison Schedule – General Fund (unaudited)  
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary Fund Balance, July 1	\$ 3,960,040	\$ 1,923,171	\$ 1,694,125	\$ 2,036,869	\$ (229,046)
Resources (Inflows)					
Property Taxes	13,362,383	14,537,114	\$ 14,557,282	\$ 1,174,731	20,168
Interest	4,900	8,800	12,131	3,900	3,331
County Revenue	2,366,000	2,266,000	2,305,688	(100,000)	39,688
State Revenue	71,384,789	70,369,059	70,265,571	(1,015,730)	(103,488)
Federal Revenue	33,073,504	34,367,679	33,024,520	1,294,175	(1,343,159)
Other	2,497,172	3,176,967	3,095,924	679,795	(81,043)
	<u>\$ 122,688,748</u>	<u>\$ 124,725,619</u>	<u>\$ 123,261,116</u>	<u>\$ 2,036,871</u>	<u>\$ (1,464,503)</u>
Amounts Available for Appropriation	<u>\$ 126,648,788</u>	<u>\$ 126,648,790</u>	<u>\$ 124,955,241</u>	<u>\$ 4,073,740</u>	<u>\$ (1,693,549)</u>
Charges to Appropriations (Outflows)					
Instruction	\$ 112,346,239	112,346,238	\$ 67,782,981	\$ (1)	\$ 44,563,257
Support Services	6,243,678	6,243,680	46,036,328	2	(39,792,648)
Non-instruction services	7,075,429	7,075,429	7,292,412	-	(216,983)
Capital Outlay	559,495	559,495	180,912	-	378,583
Other Outlays	423,947	423,948	692,715	1	(268,767)
Total Charges to Appropriations	<u>\$ 126,648,788</u>	<u>\$ 126,648,790</u>	<u>\$ 121,985,348</u>	<u>\$ 2</u>	<u>\$ 4,663,442</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,969,893</u>	<u>\$ 4,073,738</u>	<u>\$ 2,969,893</u>

Budgeting – Oklahoma statutes required that the District Board of Education approve a budget within thirty days of the beginning of each fiscal year. The school district's budget is to contain a budget summary accompanied by a minimum of the following for each fund in tabular form:

1. Actual revenues and expenditures for the immediate prior fiscal year.
2. Revenues and expenditures for the current fiscal year as shown by the budget as amended.
3. Estimated revenues and expenditures for the budget year.

A public hearing on the proposed budget must be held within forty-five days preceding the beginning of the budgetary year.

The District shall amend the original budget after June 30 of each year after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties with the District.



Other Supplementary Information  
June 30, 2011

# Lawton Independent School District No. 8

Lawton Independent School District No. 8  
Comanche County  
Combining Balance Sheet – Other Governmental Funds  
June 30, 2011

	Coop	Building	Bond	Activity	Gifts	Total Other Governmental Funds
Assets						
Cash and Investments	\$ 58,694	\$ 1,473,632	\$ 5,274,287	\$ 1,817,194	\$ 4,159	\$ 8,627,966
Property Taxes Receivable, Net	-	150,386	-	-	-	150,386
Due from Other Governments	199,210	-	-	-	-	199,210
Other Receivables	-	-	-	121	-	121
Total assets	<u>\$ 257,904</u>	<u>\$ 1,624,018</u>	<u>\$ 5,274,287</u>	<u>\$ 1,817,315</u>	<u>\$ 4,159</u>	<u>\$ 8,977,683</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 155,053	\$ -	\$ -	\$ -	\$ 155,053
Salaries and Related Benefits	257,904	-	-	-	-	257,904
Deferred Revenue	-	143,785	-	-	-	143,785
Total liabilities	<u>\$ 257,904</u>	<u>\$ 298,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,742</u>
Fund Balances:						
Restricted	\$ -	\$ 1,325,180	\$ 5,274,287	\$ -	\$ 4,159	\$ 6,603,626
Committed	-	-	-	1,817,315	-	1,817,315
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 1,325,180</u>	<u>\$ 5,274,287</u>	<u>\$ 1,817,315</u>	<u>\$ 4,159</u>	<u>\$ 8,420,941</u>
Total Liabilities and Fund Balances	<u>\$ 257,904</u>	<u>\$ 1,624,018</u>	<u>\$ 5,274,287</u>	<u>\$ 1,817,315</u>	<u>\$ 4,159</u>	<u>\$ 8,977,683</u>

Lawton Independent School District No. 8  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds  
Year Ended June 30, 2011

	Coop	Building Fund	Bond	Activity	Gifts	Total Other Governmental Funds
Revenues						
Property Taxes	\$ -	\$ 2,081,361	\$ -	\$ -	\$ -	\$ 2,081,361
Interest	-	-	-	1,609	1	1,610
State Revenue	616,693	-	-	-	-	616,693
Federal Revenue	257,112	-	-	-	-	257,112
Other	-	350,000	-	3,269,566	7,436	3,627,002
Total Revenues	<u>\$ 873,805</u>	<u>\$ 2,431,361</u>	<u>\$ -</u>	<u>\$ 3,271,175</u>	<u>\$ 7,437</u>	<u>\$ 6,583,778</u>
Expenditures						
Current						
Instruction	\$ 478,914	\$ 4,215	\$ -	\$ 480,244	\$ -	\$ 963,373
Support Services	383,970	1,812,748	46,784	1,243,387	-	3,486,889
Non-instruction services	-	-	-	1,095,371	-	1,095,371
Capital Outlays	-	291,831	1,079,018	13,641	-	1,384,490
Other Outlays	10,921	-	-	58,380	9,835	79,136
Total Expenditures	<u>\$ 873,805</u>	<u>\$ 2,108,794</u>	<u>\$ 1,125,802</u>	<u>\$ 2,891,023</u>	<u>\$ 9,835</u>	<u>\$ 7,009,259</u>
Excess (Deficiency) of Revenues over Expenditures	\$ -	\$ 322,567	\$ (1,125,802)	\$ 380,152	\$ (2,398)	\$ (425,481)
Other Financing Sources (Uses)						
Transfer In/Out	\$ -	\$ -	\$ -	(436,543)	\$ -	\$ (436,543)
Bond Proceeds	-	-	3,000,000	-	-	3,000,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ (436,543)</u>	<u>\$ -</u>	<u>\$ 2,563,457</u>
Net Change in Fund Balance	\$ -	\$ 322,567	\$ 1,874,198	\$ (56,391)	\$ (2,398)	\$ 2,137,976
Beginning Fund Balances	-	1,002,613	3,400,089	1,873,706	6,557	6,282,965
Ending Fund Balances	<u>\$ -</u>	<u>\$ 1,325,180</u>	<u>\$ 5,274,287</u>	<u>\$ 1,817,315</u>	<u>\$ 4,159</u>	<u>\$ 8,420,941</u>

Lawton Independent School District No. 8  
 Budgetary Comparison Schedule – Building Fund (unaudited)  
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget	
	Original	Final		Original to Final	Final to Actual
Budgetary Fund Balance, July 1	<u>\$ 1,002,613</u>	<u>1,002,613</u>	<u>\$ 1,002,613</u>	<u>\$ -</u>	<u>\$ -</u>
Resources (Inflows)					
Property Taxes	\$ 1,896,220	2,077,959	\$ 2,081,361	181,739	3,402
Other	-	350,000	350,000	350,000	-
	<u>\$ 1,896,220</u>	<u>\$ 2,427,959</u>	<u>\$ 2,431,361</u>	<u>\$ 531,739</u>	<u>\$ 3,402</u>
Amounts Available for Appropriation	<u>\$ 2,898,833</u>	<u>\$ 3,430,572</u>	<u>\$ 3,433,974</u>	<u>\$ 531,739</u>	<u>\$ 3,402</u>
Charges to Appropriations (Outflows)					
Instruction	\$ 1,581,027	1,581,027	\$ 4,215	\$ -	\$ 1,576,812
Support Services	992,536	992,536	1,812,748	-	(820,212)
Capital Outlay	-	-	291,831	-	(291,831)
Other Outlays	857,009	857,009	-	-	857,009
	<u>\$ 3,430,572</u>	<u>\$ 3,430,572</u>	<u>\$ 2,108,794</u>	<u>\$ -</u>	<u>\$ 1,321,778</u>
Total Charges to Appropriations	<u>\$ 3,430,572</u>	<u>\$ 3,430,572</u>	<u>\$ 2,108,794</u>	<u>\$ -</u>	<u>\$ 1,321,778</u>
Budgetary Fund Balance, June 30	<u><u>\$ (531,739)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,325,180</u></u>	<u><u>\$ 531,739</u></u>	<u><u>\$ 1,325,180</u></u>

Lawton Independent School District No. 8  
Comanche County  
Combining Statement of Changes in Assets and Liabilities – All Activity Funds  
Year Ended June 30, 2011

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<u>Project Number</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Project-801 FOOTBALL EXTRAS	\$ 14,385	\$ 36,774	\$ (20,130)	\$ 31,029
Project-802 BOYS BASKETBALL EXTRAS	7,131	11,298	(8,765)	9,664
Project-803 GIRLS BASKETBALL EXTRAS	4,424	11,570	(10,023)	5,971
Project-805 BOYS BASEBALL EXTRAS	4,270	4,371	(5,827)	2,814
Project-806 GIRLS SOFTBALL EXTRAS	9,324	13,866	(11,748)	11,442
Project-807 WRESTLING EXTRAS	486	119	(327)	278
Project-811 BOYS TRACK EXTRAS	690	330	(64)	956
Project-812 GIRLS TRACK EXTRAS	547	250	-	797
Project-813 BOYS GOLF EXTRAS	109	500	-	609
Project-816 GIRLS VOLLEYBALL EXTRAS	1,015	1,091	(392)	1,714
Project-819 ALL SPORTS EXTRAS	4,550	8,364	(2,517)	10,397
Project-820 GIRLS SOCCER EXTRAS	90	50	(69)	71
Project-821 GIRLS GOLF EXTRAS	1,128	360	(980)	508
Project-830 DISTRICT ATHLETICS	240,275	59,754	(30,375)	269,654
Project-831 DISTRICT CONCESSION	51,026	43,296	(53,649)	40,673
Project-832 ATHLETICS (DISTRICT)	12,414	74,301	(74,099)	12,616
Project-833 DISTRICT BASEMENT SUPPLY	-	-	-	-
Project-836 DISTRICT SWIMMING	659	6,016	(6,016)	659
Project-840 ATHLETICS (SITES)	200,791	456,064	(453,418)	203,437
Project-850 GENERAL	230,917	514,210	(527,023)	218,104
Project-851 ACADEMIC TEAM	5,892	15,555	(12,789)	8,658
Project-852 AGRICULTURE	17,111	96,448	(95,339)	18,220
Project-853 AP EXAM	23,828	22,193	(18,234)	27,787
Project-854 ART	14,899	20,231	(20,517)	14,613
Project-855 A.H.S.C. ACTIVITIES	1,355	-	(640)	715
Project-856 ASSISTANCE CLUB	8,140	35,400	(35,400)	8,140
Project-857 ARTS IN EDUCATION	343	-	-	343
Project-858 ACE	35,456	80	(2,237)	33,299
Project-860 BAND	10,229	62,804	(62,657)	10,376
Project-861 BUILDERS CLUB	383	1,585	(1,339)	629
Project-862 BUSINESS	270	3,210	(3,385)	95
Project-863 BOE REIMBURSEMENT	2,173	41,771	(43,014)	930
Project-864 CAMPUS CRIME STOPPER	3,147	(38)	(550)	2,559
Project-867 CHEERLEADERS	66,467	88,700	(99,630)	55,537
Project-868 CHEMISTRY	2,513	-	(901)	1,612
Project-869 CLOSE-UP	127	-	-	127
Project-870 CACE/GED	210	987	(713)	484
Project-871 CACE/COMMUNITY ED	25	(25)	-	-
Project-875 CONCESSIONS	8,623	17,146	(14,206)	11,563
Project-881 CULTURAL AWARENESS	1,882	(262)	(154)	1,466
Project-883 COUNSELORS	469	-	(225)	244
Project-885 DRAMA	6,973	14,574	(15,266)	6,281
Project-886 LETTERMEN CLUB	17,195	14,076	(20,289)	10,982
Project-887 COMPUTER CLASS	1,259	283	(783)	759
Project-888 AFRICAN AMER. MULT.	4,365	3,471	(3,041)	4,795
Project-889 FFA	4,123	4,440	(3,948)	4,615
Project-890 FCA	1,369	2,167	(2,548)	988
Project-891 FCCLA	488	3,429	(2,995)	922
Project-894 FENCING CLUB	630	353	(610)	373
Project-895 FRENCH CLUB	1,283	1,748	(2,149)	882
Project-897 GERMAN CLUB	7,495	1,109	(1,769)	6,835
Project-898 FFA HORTICULTURE	9,552	6,601	(5,488)	10,665

Lawton Independent School District No. 8  
Comanche County  
Combining Statement of Changes in Assets and Liabilities – All Activity Funds  
June 30, 2011

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<u>Project Number</u>	Balance	Additions	Deletions	Balance
Project-900 GAEA	2,135	300	-	2,435
Project-901 GIFTED/TALENTED	5,136	1,496	(2,864)	3,768
Project-902 DRILL TEAM	27,471	42,785	(51,813)	18,443
Project-904 NEWSPAPER	1,376	1,215	(1,783)	808
Project-905 LIBRARY	56,313	190,551	(198,796)	48,068
Project-906 KEY CLUB	3,558	15,553	(14,076)	5,035
Project-907 MATHEMATICS	1,160	-	-	1,160
Project-908 NHS	8,379	15,799	(16,744)	7,434
Project-909 NJHS	16,543	17,455	(23,741)	10,257
Project-910 MISC. EXPENSE	24,890	121,416	(64,282)	82,024
Project-911 NATIVE AMERICAN CLUB	1,418	834	(850)	1,402
Project-912 MILITARY CHILD CLUB	7,207	206	(1,701)	5,712
Project-913 OPEN DOORS	294	-	-	294
Project-914 ORCHESTRA	10,742	27,510	(27,689)	10,563
Project-915 PHYSICS	672	4,775	(4,565)	882
Project-917 ROBOTICS	4	-	-	4
Project-918 PEP CLUB	1,851	1,388	(1,319)	1,920
Project-919 PICTURES	70,618	63,011	(62,642)	70,987
Project-920 JROTC	33,172	31,439	(37,387)	27,224
Project-921 RENAISSANCE	5,336	4,961	(6,027)	4,270
Project-922 RESOURCE CENTER	4,993	5,894	(6,192)	4,695
Project-924 SCIENCE CLUB	3,255	27,514	(26,687)	4,082
Project-927 SPANISH CLUB	1,304	(839)	(341)	124
Project-928 SPEECH & DEBATE	1,846	9,681	(8,347)	3,180
Project-929 SPECIAL EDUCATION	55	(55)	-	-
Project-930 STOMP TEAM	35,555	110,275	(111,017)	34,813
Project-931 STUDENT COUNCIL	15,057	7,784	(8,622)	14,219
Project-933 STUDENT STORE	4,458	(2,731)	(1,727)	-
Project-934 SENIORS 2010	1,382	28,351	(26,534)	3,199
Project-935 SENIORS 2011	784	1,325	-	2,109
Project-936 SENIORS 2012	360	5,230	(2,410)	3,180
Project-937 SENIORS 2013	-	212	(15)	197
Project-938 SENIORS 2009	5,025	14,027	(17,814)	1,238
Project-939 AUTISM	175	1,280	(1,270)	185
Project-940 SUMMER SCHOOL	717	400	-	1,117
Project-942 DISTRICT TESTING	2,418	5,499	(2,682)	5,235
Project-943 TECHNOLOGY	27,678	(23,191)	(960)	3,527
Project-945 TEXTBOOKS	16,442	120,938	(121,495)	15,885
Project-946 VOCAL MUSIC	155	500	(396)	259
Project-950 STUDENT SERVICES	69,263	185,743	(168,714)	86,292
Project-951 YEARBOOK	229	726	(802)	153
Project-952 PARENT INVOLVEMENT	3,333	3,397	(5,187)	1,543
Project-953 ACCELERATED READING	386	9,955	(9,344)	997
Project-954 WEIGHTROOM LIFTATHON	8,385	193	-	8,578
Project-955 PLAYGROUND	-	940	(312)	628
Project-956 NATIONAL ELEM HONOR SOCIETY	1,059	210	(176)	1,093
Project-959 CHESS CLUB	122,681	62,091	(105,720)	79,052
Project-960 COMMISSION	7,688	380	(1,117)	6,951
Project-961 FRIENDS IN NEED	1,462	2,055	(1,751)	1,766
Project-962 LPS CHRISTMAS CHEER	1,350	(241)	-	1,109
Project-963 SCRAPBOOKING				

Lawton Independent School District No. 8  
Comanche County  
Combing Statement of Changes in Assets and Liabilities – All Activity Funds  
June 30, 2011

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<u>Project Number</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Project-967 GEOGRAPHY CLUB	919	218	(281)	856
Project-970 EXTENDED DAY	57,879	9,471	(52,688)	14,662
Project-971 EXTENDED DAY BOARD	-	241,779	(241,779)	-
Project-972 ASIA CLUB	772	(616)	-	156
Project-973 TEEN COUNCIL	15	300	(293)	22
Project-975 HOLDING ACCOUNT	16,897	37,848	(36,687)	18,058
Project-976 OKLAHOMA DECATHLON	11,558	6,650	(4,791)	13,417
Project-977 SPEECH PATHALOGY	2,033	-	(232)	1,801
Project-978 MEDIA CLUB	1,831	4,134	(3,905)	2,060
Project-980 OSVC	30,684	10,450	(19,141)	21,993
Project-982 YOUNG REPUBLICANS	515	(515)	-	-
Project-983 YOUNG DEMOCRATS	15	(15)	-	-
Project-984 DESIGNATED CONTRIBUTIONS	69,779	93,855	(92,213)	71,421
Project-985 STAGE PRODUCTION	101	51	(70)	82
Project-986 FACULTY IN-SERVICE	94	-	(91)	3
Project-987 TITLE I SUMMER KINDERGARTEN ACADI	133	550	(532)	151
Project-988 VISION IMPAIRED	5,384	-	(3,624)	1,760
Project-989 AP ECONOMICS	1,183	670	(183)	1,670
Project-990 SPECIAL OLYMPICS	3,186	7,342	(8,762)	1,766
Project-991 MEDIA PRODUCTIONS	599	2,501	(2,684)	416
Project-994 LPS FOUNDATION GRANTS	-	21,215	(21,215)	-
Project-995 FACULTY FUND	2,058	3,105	(3,854)	1,309
Project-996 PARENT UNIVERSITY	523	200	-	723
Project-998 LAWTON COMMUNITY SERVICES	891	-	-	891
Project-999 LPS LANDSCAPING	2,270	3,999	(3,571)	2,698
Total Activities	<u>\$ 1,873,706</u>	<u>\$ 3,271,175</u>	<u>\$ (3,327,566)</u>	<u>\$ 1,817,315</u>

**Note 1 - Basis of Presentation**

The above schedule and format is required by the Oklahoma Department of Education and is not intended to represent a financial statement in accordance with generally accepted accounting principles.

Lawton Independent School District No. 8  
Comanche County  
Statement of Statutory, Fidelity, and Honesty Bonds (unaudited)  
Year Ended June 30, 2011

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<u>Individual</u>	<u>Bonding Company</u>	<u>Position Bond Type</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Effective Dates</u>
Barry Beauchamp	CAN Surety	Superintendent	0601-70758035	\$100,000.00	7/1/2010 - 6/30/2011
Diane Branstetter	Safeco	Treasurer	E740110-0000	\$100,000.00	7/1/2010 - 6/30/2011
Teresa Carter	Safeco	Assistant Treasurer	E740110-0000	\$100,000.00	7/1/2010 - 6/30/2011
Kathy Bentley	Safeco	Custodian of Activity Fund	E740110-0000	\$10,000.00	7/1/2010 - 6/30/2011
Teressa Looper	Safeco	Assistant Custodian of Activity Fund	E740110-0000	\$1,000.00	7/1/2010 - 6/30/2011
Kathy Bentley	Safeco	Clerk	E740110-0000	\$1,000.00	7/1/2010 - 6/30/2011
Teressa Looper	Safeco	Deputy Clerk	E740110-0000	\$1,000.00	7/1/2010 - 6/30/2011
Helen Hammond/ Denise Duffy	Safeco	Minutes Clerk	E740110-0000	\$1,000.00	7/1/2010 - 6/30/2011
Sheila Relf	Safeco	Encumbrance Clerk	E740110-0000	\$1,000.00	7/1/2010 - 6/30/2011

Lawton Independent School District No. 8  
Comanche County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/10	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/11
<u>U.S. Department of Education</u>						
Direct Programs						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (91,348)	\$ 231,149	\$ 264,232	\$ (124,431)
Teaching American History	84.215X	777	\$ (78,630)	\$ 260,718	\$ 356,407	\$ (174,319)
Impact Aid	84.041	591/592	\$ -	\$ 7,879,178	\$ 7,879,178	\$ -
Passed Through Oklahoma Department of Career and Technology Education						
Vocational Education - Basic Grant to States	84.048	421	\$ (42,112)	\$ 121,595	\$ 129,628	\$ (50,145)
Passed Through Oklahoma State Department of Education						
Title I, Grants to Local Educational Agencies	84.010	511/512/515	\$ (899,923)	\$ 3,627,168	\$ 4,731,368	\$ (2,004,123)
Title I, Grants to Local Educational Agencies	84.010	786	(75,256)	233,196	279,885	(121,945)
ARRA, Title I, Grants to Local Educational Agencies	84.389	516	(158,212)	680,020	562,924	(41,116)
Title I - Federal Academic Achievement Awards	84.010	517	31,800	35,900	16,852	50,848
Title I Cluster			\$ (1,101,591)	\$ 4,576,284	\$ 5,591,029	\$ (2,116,336)
		613/615/621/				
Special Education - Grants to States	84.027	625	\$ (885,475)	\$ 3,306,796	\$ 3,335,358	\$ (914,037)
ARRA, Special Education - Grants to States	84.391A	622	(458,876)	1,336,687	1,178,954	(301,143)
Special Education - Preschool Grants	84.173	641/642	(17,196)	74,820	79,107	(21,483)
ARRA, Special Education - Preschool Grants	84.392A	643	(118)	47,886	47,768	-
Special Education - State Personnel Development Preschool Grant	84.323A	651	(11,029)	20,159	18,585	(9,455)
Special Education Cluster			\$ (1,372,694)	\$ 4,786,348	\$ 4,659,772	\$ (1,246,118)
Adult Basic Education	84.002	731/732	\$ (42,286)	\$ 126,146	\$ 147,625	\$ (63,765)
ARRA, Education Stabilization	84.394	782	\$ -	\$ 3,410,082	\$ 3,410,082	\$ -
ARRA, Textbooks	84.397	787	193,005	55,824	248,829	-
State Fiscal Stabilization Fund Program Cluster			\$ 193,005	\$ 3,465,906	\$ 3,658,911	\$ -
Education Jobs Fund	84.410	790	\$ -	\$ 2,212,824	\$ 2,910,802	\$ (697,978)

Lawton Independent School District No. 8  
Comanche County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Project Number	(Accounts Receivable) 6/30/10	Federal Grant Receipts	Federal Grant Expenditures	(Accounts Receivable) 6/30/11
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	541	\$ (202,081)	\$ 898,758	\$ 1,079,820	\$ (383,143)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	786	-	57,019	57,019	-
Title II - Technical Assistance Allocation	84.367	543	(1,431)	14,474	20,548	(7,505)
Title II Total			<u>\$ (203,512)</u>	<u>\$ 970,251</u>	<u>\$ 1,157,387</u>	<u>\$ (390,648)</u>
 Title II - Part D Enhancing Education Through Technology	84.318X	546	\$ -	\$ 15,794	\$ 15,794	\$ -
Title II - Enhancing Education Through Technology	84.318X	548	-	-	1,422	(1,422)
Title II Part D Total			<u>\$ -</u>	<u>\$ 15,794</u>	<u>\$ 17,216</u>	<u>\$ (1,422)</u>
 Title II - Part B Math and Science	84.366	542	<u>\$ (218,041)</u>	<u>\$ 275,944</u>	<u>\$ 257,113</u>	<u>\$ (199,210)</u>
Title III - Part A English Language Acquisition	84.365	571, 572	<u>\$ (30,857)</u>	<u>\$ 76,890</u>	<u>\$ 75,664</u>	<u>\$ (29,631)</u>
 Title IV - 21st Century Community Learning Centers	84.287	553	<u>\$ (175,208)</u>	<u>\$ 334,622</u>	<u>\$ 228,141</u>	<u>\$ (68,727)</u>
 Title IV - Safe and Drug Free Schools - State Grants	84.186	551	<u>\$ (58,553)</u>	<u>\$ 58,553</u>	<u>\$ -</u>	<u>\$ -</u>
 Department of Rehabilitation Services	84.126	456	<u>\$ -</u>	<u>\$ 104,848</u>	<u>\$ 105,189</u>	<u>\$ (341)</u>
 Gear Up	84.334	772	\$ 52,703	\$ 56,000	\$ 99,212	\$ 9,491
Gear Up-Supplement	84.334	773	56,000	(56,000)	-	-
Gear Up	84.334	774	-	87,500	66,863	20,637
Gear Up-Supplement	84.334	775	4,554	-	4,554	-
Gear Up Total			<u>\$ 113,257</u>	<u>\$ 87,500</u>	<u>\$ 170,629</u>	<u>\$ 30,128</u>
 Total U.S. Department of Education			<u>\$ (3,108,570)</u>	<u>\$ 25,584,550</u>	<u>\$ 27,608,923</u>	<u>\$ (5,132,943)</u>
 <u>U.S. Department of Health and Human Services</u>						
Passed through the Oklahoma Health Care Authority						
Medical Assistance Program	93.778	698	<u>\$ -</u>	<u>\$ 197,150</u>	<u>\$ 197,150</u>	<u>\$ -</u>

Lawton Independent School District No. 8  
Comanche County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/10	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/11
<u>Corporation for National and Community Service</u>						
Passed through the Oklahoma State Department of Education Learn and Service America, School-Based Programs	94.004	781	\$ (690)	\$ 6,194	\$ 5,504	\$ -
<u>U.S. Department of Agriculture</u>						
Passed through the Oklahoma State Department of Education						
Breakfast Program	10.553	385	\$ -	\$ 1,379,582	\$ 1,379,582	\$ -
Lunch Program	10.555	385	-	3,344,424	3,344,424	-
Summer Food Service	10.559	766	82,433	79,417	91,723	70,127
Commodities Distributed - Breakfast	10.553		17,288	145,353	147,067	15,574
Commodities Distributed - Lunch	10.555		22,581	352,368	356,524	18,425
Commodities Distributed - Summer Food Service	10.559		-	9,664	9,778	\$ (114)
Child Nutrition Cluster			<u>\$ 122,302</u>	<u>\$ 5,310,808</u>	<u>\$ 5,329,098</u>	<u>\$ 104,012</u>
<u>U.S. Department of Defense</u>						
Direct Programs						
DOD Science Grant	12.556	776	\$ (182,161)	\$ 660,327	\$ 621,929	\$ (143,763)
Total U.S. Department of Defense			<u>\$ (182,161)</u>	<u>\$ 660,327</u>	<u>\$ 621,929</u>	<u>\$ (143,763)</u>
Total Expenditures of Federal Awards			<u>\$ (3,169,119)</u>	<u>\$ 31,759,029</u>	<u>\$ 33,762,604</u>	<u>\$ (5,172,694)</u>

Note: The above schedule of expenditures of federal awards includes the federal grant activity of Lawton Independent School District No. 8, Comanche County, Oklahoma. The schedule is prepared using a cash receipts and disbursements basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of Governments, States, Local and Non-Profit Organizations*. Therefore some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received.

The amounts relating to fiscal year 2010 project 787 ARRA Textbooks have been presented in the current year schedule of federal awards per the instruction of the Oklahoma State Department of Education. The beginning deferred revenue amount for this project differs from the schedule of federal awards presented as of June 30, 2010 by \$193,005 and the current year federal expenditures has also been increased by this amount to fully recognize these expenditures by the end of fiscal year 2011.



**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as 11-2 to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated December 6, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education, management, others within the District, Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above a thin horizontal line.

Oklahoma City, Oklahoma  
December 6, 2011



**Independent Auditor's Report on Compliance with Requirements  
That Could have a Direct and Material Effect on Each Major  
Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

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

**Compliance**

We have audited Lawton Independent School District No. 8's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Lawton Independent School District No. 8's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lawton Independent School District No. 8's management. Our responsibility is to express an opinion on Lawton Independent School District No. 8's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawton Independent School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lawton Independent School District No. 8's compliance with those requirements.

In our opinion, Lawton Independent School District No. 8, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control of compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the management, the board of education, others within the entity, the Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Eric Bailly LLP in cursive script.

Oklahoma City, Oklahoma  
December 6, 2011

## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	None reported

### Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	None reported

### Name of Federal Program or Cluster

### CFDA number

Title I Cluster	84.010, 84.389
Special Education Cluster	84.027, 84.173, 84.391, 84.392, 84.323
Child Nutrition Cluster	10.553, 10.555, 10.559
State Fiscal Stabilization Fund Cluster	84.394, 84.397
Education Jobs Funds	84.410
Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,012,878
Auditee qualified as low-risk auditee	No

Section II - Findings relating to the Financial Statements

11-1	Condition:	The District's internal control system did not identify reasonable amounts to be recorded in accounts payable that related to construction expenditures.
	Criteria:	Controls over the year-end financial reporting process should be in place for year-end reporting. Accounts payable should be recorded based on amounts paid subsequent to year-end.
	Cause:	Accounts payable was recorded incorrectly based on supporting documentation for amounts paid subsequent to year-end.
	Context:	Accounts payable determined during audit procedures did not agree to District recorded amounts.
	Effect:	Material audit adjustments were made to properly state accounts payable at year end.
	Recommendation:	We recommend a control process be put in place to properly capture year-end amounts based on supporting documentation.
	Response:	In an effort to ensure that the District complies with the recording of appropriate amounts with regard to construction expenditures and professional services, the following procedures were added to the District's end of the year procedures: Evaluate when the final payment was made on any open construction projects; estimate the appropriate amount to account for the remaining days in the school year; and record this amount into the accounts payable line item on the balance sheet. Based on the current amount paid to date on the open construction projects, the remaining amount was overstated. The projects did not seem to move as quickly in the month of June as they did in the previous months.
11-2	Condition:	The District's internal control system did not identify certain certified teachers hired during the fiscal year were paid at the incorrect step according to the pay scales.
	Criteria:	Controls over payroll should be in place to ensure that teachers are paid at the correct steps/levels and consistently within each step based on the approved pay scales.
	Cause:	Due to funding issues, the District did not approve a salary increase for fiscal year 2011. During the beginning of the year, there was anticipation that the salary increase would occur and new employees hired were put at the appropriate step based on years of experience (i.e. 4 years experience was paid at step 4). When the salary increase was not approved, employees were left at their current step, which would have been a step below actual years of experience (i.e. 4 years of experience remained at step 3). Payroll queries were run within the payroll department to identify new certified teachers that should be moved down a step but the payroll queries did not identify all teachers and some were inadvertently left at the incorrect step.
	Context:	During audit procedures it was noted that 3 teachers out of a sample of 25 were not paid at the correct step level according to the pay scales.
	Effect:	District overpaid salaries to new certified employees.

Recommendation: We recommend a control process be put in place to identify that all employees are paid at the correct step.

Response: In the event that we have a fiscal-year like 2010-2011 where no increments or grades were given, we would adjust the salary schedule immediately so that all new jobs and or job changes could be calculated the same. This way all experience would match the salary code. Then, if the district was ever able to give the increments/grades, all employees could be processed the same and their pay could be adjusted. Next, we will run a listing of all like jobs both certified and support and research all exceptions. We had already taken precautions and thought that we had this handled and are still unclear as to why these employees did not appear on our list; however, by running these extra listings any pay differences should be detected.

### Section III - Findings and Questioned Costs for Major Federal Awards

None.

10-2	Condition:	Daily site meal count reports did not agree to Child Nutrition administrative reports used to complete the monthly claims submitted to the State Department of Education for reimbursement.
	Current Status:	No similar findings noted during the year ended June 30, 2011.

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