

LOOKEBA-SICKLES INDEPENDENT SCHOOL DISTRICT NO. 12

CADDO COUNTY, OKLAHOMA

JUNE 30, 2011

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**LOOKEBA-SICKLES INDEPENDENT SCHOOL DISTRICT NO. I-12, CADDO COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Lookeba Sickles Independent School District #12
Caddo County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Lookeba-Sickles Independent School District #12**, Caddo County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2011, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, **Lookeba-Sickles Independent School District #12**, Caddo County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

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

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Lookeba-Sickles Independent School District #12**, Caddo County, Oklahoma, as of June 30, 2011, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Lookeba-Sickles School District, No 12**, Caddo County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District as a whole. The combining fund statements and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and is also not a required part of the combined financial statements of **Lookeba-Sickles Independent School District #12** Caddo County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 14, 2011

COMBINED FINANCIAL STATEMENTS

Lookeba-Sickles School District No.1-012, Caddo County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2011

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Trust and Agency</u>	<u>General Long- Term Debt</u>	<u>June 30, 2011</u>
Cash and Cash Equivalents	\$ 643,960	\$ 122,190	\$ 36,780	\$ 35	\$ 49,145	\$ 0	\$ 852,110
Investments	102,211	0	0	0	0	0	102,211
Amounts Available in Debt Service Fund	0	0	0	0	0	36,780	36,780
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	188,220	188,220
Amounts to be Provided For Compensated Absences	0	0	0	0	0	13,200	13,200
<i>Total Assets</i>	<u>\$ 746,170</u>	<u>\$ 122,190</u>	<u>\$ 36,780</u>	<u>\$ 35</u>	<u>\$ 49,145</u>	<u>\$ 238,200</u>	<u>\$ 1,192,520</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants Payable	\$ 269,713	\$ 72,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,631
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	49,145	0	49,145
General Obligation Bonds Payable	0	0	0	0	0	225,000	225,000
Compensated Absences Payable	0	0	0	0	0	13,200	13,200
<i>Total Liabilities</i>	<u>\$ 269,713</u>	<u>\$ 72,919</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,145</u>	<u>\$ 238,200</u>	<u>\$ 629,976</u>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 36,780	\$ 0	\$ 0	\$ 0	\$ 36,780
Reserved for Capital Projects	0	0	0	35	0	0	35
Cash Fund Balance	476,458	49,271	0	0	0	0	525,729
<i>Total Fund Equity</i>	<u>\$ 476,458</u>	<u>\$ 49,271</u>	<u>\$ 36,780</u>	<u>\$ 35</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 562,544</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 746,170</u>	<u>\$ 122,190</u>	<u>\$ 36,780</u>	<u>\$ 35</u>	<u>\$ 49,145</u>	<u>\$ 238,200</u>	<u>\$ 1,192,520</u>

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

Lookeba-Sickles School District No.1-012, Caddo County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
Revenue Collected:					
Local Sources	\$ 248,585	\$ 93,608	\$ 63,497	\$ 0	\$ 405,690
Intermediate Sources	27,947	0	0	0	27,947
State Sources	1,185,088	1,971	0	0	1,187,059
Federal Sources	309,762	96,017	0	0	405,779
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,771,382</u>	<u>\$ 191,596</u>	<u>\$ 63,497</u>	<u>\$ 0</u>	<u>\$ 2,026,475</u>
Expenditures Paid:					
Instruction	\$ 1,192,855	\$ 0	\$ 0	\$ 0	\$ 1,192,855
Support Services	627,506	29,782	0	0	657,288
Operation of Non-Instructional Services	94,868	108,741	0	0	203,609
Facilities Acquisition and Construction	565	1,400	0	0	1,965
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	75,000	0	75,000
Interest and Fiscal Agent Fees	0	0	11,588	0	11,588
<i>Total Expenditures Paid</i>	<u>\$ 1,915,794</u>	<u>\$ 139,923</u>	<u>\$ 86,588</u>	<u>\$ 0</u>	<u>\$ 2,142,305</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (144,412)</u>	<u>\$ 51,672</u>	<u>\$ (23,091)</u>	<u>\$ 0</u>	<u>\$ (115,830)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 1,600	\$ 0	\$ 0	\$ 35	\$ 1,635
Bond Proceeds	0	0	0	0	0
Transfers In	60,000	0	0	0	60,000
Transfers Out	0	(60,000)	0	0	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 61,600</u>	<u>\$ (60,000)</u>	<u>\$ 0</u>	<u>\$ 35</u>	<u>\$ 1,635</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (82,812)</u>	<u>\$ (8,328)</u>	<u>\$ (23,091)</u>	<u>\$ 35</u>	<u>\$ (114,195)</u>
<i>Fund Balance - Beginning of Year</i>	<u>559,269</u>	<u>57,599</u>	<u>59,871</u>	<u>0</u>	<u>676,739</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 476,458</u></u>	<u><u>\$ 49,271</u></u>	<u><u>\$ 36,780</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 562,544</u></u>

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

Lookeba-Sickles School District No.1-012, Caddo County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2011

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 30,716	\$ 30,716	\$ 33,154	\$ 55,500	\$ 55,500	\$ 60,454	\$ 86,216	\$ 86,216	\$ 93,608
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	1,700	1,700	1,971	1,700	1,700	1,971
Federal Sources	0	0	0	75,720	75,720	96,017	75,720	75,720	96,017
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 30,716</u>	<u>\$ 30,716</u>	<u>\$ 33,154</u>	<u>\$ 132,920</u>	<u>\$ 132,920</u>	<u>\$ 158,442</u>	<u>\$ 163,636</u>	<u>\$ 163,636</u>	<u>\$ 191,596</u>
Expenditures Paid:									
Instruction	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 1,000	\$ 0
Support Services	30,300	30,300	29,524	1,000	1,000	258	31,300	31,300	29,782
Operation of Non-Instructional Services	1,000	1,000	1,114	136,537	136,537	107,627	137,537	137,537	108,741
Facilities Acquisition and Construction	11,398	11,398	1,400	0	0	0	11,398	11,398	1,400
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 43,698</u>	<u>\$ 43,698</u>	<u>\$ 32,038</u>	<u>\$ 137,537</u>	<u>\$ 137,537</u>	<u>\$ 107,886</u>	<u>\$ 181,235</u>	<u>\$ 181,235</u>	<u>\$ 139,923</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (12,981)</u>	<u>\$ (12,981)</u>	<u>\$ 1,117</u>	<u>\$ (4,617)</u>	<u>\$ (4,617)</u>	<u>\$ 50,556</u>	<u>\$ (17,599)</u>	<u>\$ (17,599)</u>	<u>\$ 51,672</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	(40,000)	(40,000)	(60,000)	(40,000)	(40,000)	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (60,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (60,000)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (12,981)</u>	<u>\$ (12,981)</u>	<u>\$ 1,117</u>	<u>\$ (44,617)</u>	<u>\$ (44,617)</u>	<u>\$ (9,444)</u>	<u>\$ (57,599)</u>	<u>\$ (57,599)</u>	<u>\$ (8,328)</u>
<i>Fund Balance - Beginning of Year</i>	<u>12,981</u>	<u>12,981</u>	<u>12,981</u>	<u>44,617</u>	<u>44,617</u>	<u>44,617</u>	<u>57,599</u>	<u>57,599</u>	<u>57,599</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 14,098</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 35,173</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 49,271</u></u>

Exhibit A-3

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Lookeba-Sickles Public Schools Independent District No. 12, Caddo County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

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

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

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

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

1.B. Fund Accounting

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

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

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

Governmental Fund Types

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

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

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

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

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

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

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

4. Capital Projects Fund - The capital projects fund consists of the District's 2007 Combined Purpose Bond Fund. This fund is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

1.B. Fund Accounting, (continued)

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

Account Groups

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

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

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

Memorandum Only - Total Column

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

1.C. Basis of Accounting and Presentation

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

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

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

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

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

1.E. Assets, Liabilities and Fund Equity

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

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

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

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

Inventories – The value of consumable inventories at June 30, 2011, is not material to the basic financial statements.

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

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

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits are not material and thus, have not been reported in the general long-term debt account group.

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

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

1.F. Revenue, Expenses, and Expenditures

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

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

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

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

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

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2011:

		Carrying Value
Deposits		
Demand Deposits	\$	857,388
Time Deposits		102,211
Total Deposits	\$	959,599
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		Fair Value
		\$ 0
Total Investments		\$ 0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	954,321
Activity Fund Outstanding Checks		5,278
Total Deposits and Investments	\$	959,599

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

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

At June 30, 2011, the District was not exposed to custodial credit risk as defined above.

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

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

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

The district had no investment credit risk as of June 30, 2011, as defined above.

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

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

At June 30, 2011, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

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

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

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	300,000	0	0	300,000
Additions	0	0	19,800	19,800
Retirements	75,000	0	6,600	81,600
Balance, June 30, 2011	225,000	0	13,200	238,200

A brief description of the outstanding general obligation bond issues at June 30, 2011, is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2007 Combined Purpose Bonds	3.75%-4.0%	April 1, 2014	\$ 450,000	\$ 225,000
Totals			\$ 450,000	\$ 225,000

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007 Combined Purpose Bonds			
2011-12	\$ 75,000	\$ 8,588	\$ 83,588
2012-13	75,000	5,663	80,663
2013-14	75,000	2,850	77,850
Sub Total	\$ 225,000	\$ 17,101	\$ 242,101
 Total Bonds	 \$ 225,000	 \$ 17,101	 \$ 242,101

Interest expense on bonds payable incurred during the current year totaled \$11,588.

Compensated Absences

The District offered an incentive for employees to retire. The incentive was \$550/month for thirty six months to retirement eligible employees. The amount the school was liable for as of June 30, 2011 was \$13,200.

Note 4 - Employee Retirement System

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

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

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. The District is

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 4 - Employee Retirement System, (continued)

allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were 98,065, \$98,515, and \$84,169 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$1,032,263; the District's total compensation was \$1,405,439. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$3,881) and 9.50% of compensation arising from post retirement employees (\$924). There were \$54,922 contributions made by employees during the year ended June 30, 2011.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2010, is as follows:

Total pension obligation	\$ 19,980,640,592
Net assets available for benefits, at cost	<u>9,566,683,405</u>
Nonfunded pension benefit obligation	<u>\$ 10,413,957,187</u>

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

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

Note 6 – Risk Management

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

Lookeba-Sickles ISD No. 12, Caddo County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 7 - Use of Estimates

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

Note 8 - Surety Bonds

The Treasurer is bonded by Old Republic Surety Group bond number 2060581 for the penal sum of \$75,000 for the term August 22, 2010 to August 22, 2011.

The Encumbrance clerk and lunch custodian are bonded by Old Republic Surety Group bond number 2060581 for the penal sum of \$5,000 each for the term August 22, 2010 to August 22, 2011.

The Superintendent is bonded by Old Republic Surety Group bond number 0028523 for the penal sum of \$100,000 for the term July 31, 2010 to July 31, 2011.

OTHER SUPPLEMENTAL INFORMATION

Lookeba-Sickles School District No. I-012, Caddo County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2011</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 23,028	\$ 99,161	\$ 122,190
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 23,028</u>	<u>\$ 99,161</u>	<u>\$ 122,190</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 8,930	\$ 63,988	\$ 72,919
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 8,930</u>	<u>\$ 63,988</u>	<u>\$ 72,919</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 14,098</u>	<u>\$ 35,173</u>	<u>\$ 49,271</u>
<i>Total Fund Balance</i>	<u>\$ 14,098</u>	<u>\$ 35,173</u>	<u>\$ 49,271</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 23,028</u>	<u>\$ 99,161</u>	<u>\$ 122,190</u>

Lookeba-Sickles School District No. I-012, Caddo County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2011

	Building Fund	Child Nutrition Fund	Total June 30, 2011
Revenue Collected:			
Local Sources	\$ 33,154	\$ 60,454	\$ 93,608
Intermediate Sources	0	0	0
State Sources	0	1,971	1,971
Federal Sources	0	96,017	96,017
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 33,154</u>	<u>\$ 158,442</u>	<u>\$ 191,596</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	29,524	258	29,782
Operation of Non-Instructional Services	1,114	107,627	108,741
Facilities Acquisition and Construction	1,400	0	1,400
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 32,038</u>	<u>\$ 107,886</u>	<u>\$ 139,923</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 1,117</u>	<u>\$ 50,556</u>	<u>\$ 51,672</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	(60,000)	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (60,000)</u>	<u>\$ (60,000)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 1,117</u>	<u>\$ (9,444)</u>	<u>\$ (8,328)</u>
<i>Fund Balance - Beginning of Year</i>	<u>12,981</u>	<u>44,617</u>	<u>57,599</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 14,098</u></u>	<u><u>\$ 35,173</u></u>	<u><u>\$ 49,271</u></u>

Lookeba-Sickles School District No. I-012, Caddo County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2011

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 214,955	\$ 214,955	\$ 248,585	\$ 86,216	\$ 86,216	\$ 93,608	\$ 61,006	\$ 61,006	\$ 63,497
Intermediate Sources	36,300	36,300	27,947	0	0	0	0	0	0
State Sources	1,103,848	1,103,848	1,185,088	1,700	1,700	1,971	0	0	0
Federal Sources	183,034	183,034	309,762	75,720	75,720	96,017	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,538,137</u>	<u>\$ 1,538,137</u>	<u>\$ 1,771,382</u>	<u>\$ 163,636</u>	<u>\$ 163,636</u>	<u>\$ 191,596</u>	<u>\$ 61,006</u>	<u>\$ 61,006</u>	<u>\$ 63,497</u>
Expenditures Paid:									
Instruction	\$ 1,250,000	\$ 1,250,000	\$ 1,192,855	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	697,000	697,000	627,506	31,300	31,300	29,782	0	0	0
Operation of Non-Instructional Services	100,000	100,000	94,868	137,537	137,537	108,741	0	0	0
Facilities Acquisition and Construction	50,406	50,406	565	11,398	11,398	1,400	0	0	0
Other Outlays	0	0	0	0	0	0	120,877	120,877	86,587
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,097,406</u>	<u>\$ 2,097,406</u>	<u>\$ 1,915,794</u>	<u>\$ 181,235</u>	<u>\$ 181,235</u>	<u>\$ 139,923</u>	<u>\$ 120,877</u>	<u>\$ 120,877</u>	<u>\$ 86,587</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	<u>\$ (559,269)</u>	<u>\$ (559,269)</u>	<u>\$ (144,412)</u>	<u>\$ (17,599)</u>	<u>\$ (17,599)</u>	<u>\$ 51,672</u>	<u>\$ (59,871)</u>	<u>\$ (59,871)</u>	<u>\$ (23,090)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	60,000	0	0	0	0	0	0
Transfers Out	0	0	0	(40,000)	(40,000)	(60,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 61,600</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (60,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	<u>\$ (559,269)</u>	<u>\$ (559,269)</u>	<u>\$ (82,812)</u>	<u>\$ (57,599)</u>	<u>\$ (57,599)</u>	<u>\$ (8,328)</u>	<u>\$ (59,871)</u>	<u>\$ (59,871)</u>	<u>\$ (23,090)</u>
<i>Fund Balance - Beginning of Year</i>	<u>559,269</u>	<u>559,269</u>	<u>559,269</u>	<u>57,599</u>	<u>57,599</u>	<u>57,599</u>	<u>59,871</u>	<u>59,871</u>	<u>59,871</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 476,458</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,271</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,780</u>

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

Lookeba-Sickles School District No.1-012, Caddo County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2011

<u>ASSETS</u>	School Activity Fund
Cash	\$ 49,145
Investments	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 49,145</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>49,145</u>
<i>Total Liabilities</i>	<u>\$ 49,145</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 49,145</u></u>

Lookeba-Sickles School District No. I-012, Caddo County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

<u>ACTIVITIES</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Athletics	\$ 13,623	\$ 52,241	\$ 59,392	\$ 6,473
Elementary Activity	1,815	23,148	12,547	12,416
Pep Club	567	3,967	3,565	969
High School Activity	0	4,084	3,103	980
Vocational Agriculture	12,669	34,878	36,744	10,803
FCCLA	721	4,795	5,185	332
Elementary 4-H Club	1,737	4,016	3,737	2,016
Miscellaneous	45	151	134	61
Student Council	815	8,358	8,002	1,170
Library	138	43	58	123
Supplies	742	256	929	69
Petty Cash	0	1,393	1,393	0
Elementary Petty Cash	0	1,220	1,220	0
Clearing	0	41	41	0
Vocal Music	1,477	7,926	6,029	3,374
J.H. & H.S. 4-H Club	1,067	1,653	2,115	605
Yearbook	9,077	4,915	9,368	4,624
High School History	0	28,169	26,283	1,886
F.C.A.	161	0	0	161
Class of 2011	571	0	571	0
Class of 2012	0	6,354	5,933	421
Washita-Valley Conference	2,554	525	416	2,663
 Total Activities	 \$ <u>47,779</u>	 \$ <u>188,132</u>	 \$ <u>186,766</u>	 \$ <u>49,145</u>

LOOKEBA-SICKLES INDEPENDENT SCHOOL DISTRICT NO.12, CADDO COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2010	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2011
U.S. Department of Education						
<u>Direct Programs:</u>						
Title VII, Part A-Indian Education	84.060A	561	(1,462)	7,490	7,280	(1,251)
Title VI, Small Rural School Achievement	84.358A	588	(13,622)	27,277	13,655	0
Title VIII, Impact Aid	84.041	591/592	0	25,524	25,524	0
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic	84.010	511	(19,743)	67,186	56,056	(8,613)
Title I Cluster			(19,743)	67,186	56,056	(8,613)
IDEA-B Flowthrough	84.027	621	0	46,580	50,523	(3,943)
ARRA IDEA B, Flow Through	84.391A	622	(12,746)	14,923	2,177	0
IDEA-B Preschool	84.173	641	0	772	943	(171)
Special Education Cluster			(12,746)	62,275	53,643	(4,114)
ARRA Education Stabilization Fund	84.394	782	0	56,321	56,321	0
ARRA Stabilization Cluster			0	56,321	56,321	0
Title II, Part A (REAP)	84.367	586	0	22,986	22,986	0
Title II, Part D (REAP)	84.318	586	0	186	186	0
Education Jobs Fund	84.410	790	0	39,003	47,720	(8,717)
Total U.S. Department of Education			(47,572)	308,248	283,370	(22,695)
U.S. Department of Health and Human Services						
<u>Passed through Oklahoma Health Care Authority:</u>						
Medicaid Resources (Note4)	93.778	698	0	0	8,168	0
Total U.S. Department of Health and Human Services			0	0	8,168	0
U.S. Department of Interior						
<u>Passed through Chickasaw Nation:</u>						
Johnson O'Malley	15.130	563	(1,111)	1,514	403	0
Total U.S. Department of Interior			(1,111)	1,514	403	0
U.S. Department of Agriculture						
<u>Passed Through State Department of Education:</u>						
Breakfast Program (Note 2)	10.553	385	0	32,551	32,551	0
Lunch Program (Note 2)	10.555	385	0	63,466	63,466	0
Commodities Distributed-Lunch (Note 3)	10.555	N/A	0	6,272	6,272	0
Child Nutrition Cluster			0	102,289	102,289	0
Total U.S. Department of Agriculture			0	102,289	102,289	0
TOTAL FEDERAL ASSISTANCE			(48,683)	412,051	394,230	(22,695)

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

Note 2 - The District does not track expenditures paid from these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$6,272 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 4 - The district coded expenditures to this project but a claim for reimbursement had not been filed as of 11/2/11. Thus, it appears the district will not receive any reimbursement for this program.

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

	CFDA #	Program #	Federal Grant Receipts	Federal Grant Expenditures	ARRA Deferred Revenue (Accounts Rec)
ARRA Special Education	84.391A	622	14,923	2,177	0
ARRA Education Stabilization Fund	84.394	782	56,321	56,321	0
			71,244	58,498	0

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

The Honorable Board of Education
Lookeba-Sickles Independent School District #12
Caddo County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Lookeba-Sickles Independent School District #12**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated November 14, 2011. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

2011-1 Finding

Statement of Condition - While helping prepare the estimate of needs in August 2011, we noted that from April 2011 to June 2011 the district's financial statements generated from their accounting software did not agree to the bank statements. It appears the treasurer was completing a manual bank reconciliation form but she didn't fully understand how to use it. Thus, she thought her financial statements were reconciled but they were not.

Criteria – Bank statements should be reconciled to the treasurer's records in a timely manner.

Cause/Effect of Condition – The treasurer did not fully understand the reconciliation form. Thus, errors could occur and not be caught in a timely manner.

Recommendation – The treasurer needs to obtain training on the proper use of the bank reconciliation form.

Views of Responsible Officials and Planned Corrective Action - The treasurer has been trained on the use of the bank reconciliation form and she will keep the bank reconciliations up-to-date.

2011-2 – Finding

Statement of Condition – The district coded expenses to project code 698 (Medicaid Resources), but it appears a claim for reimbursement was not filed.

Criteria – A claim for reimbursement must be filed in order to receive reimbursement for Medicaid resources.

Cause/Effect of Condition – The person in charge of submitting the information for the claim failed to submit it. Therefore, the district did not receive a reimbursement that they were entitled to receive.

Recommendation – The person in charge of the program should contact the Oklahoma Health Care Authority to see if a claim can still be filed for the 2010-11 year. Also, a claim should be filed for the 2011-12 year.

Views of Responsible Officials and Planned Corrective Action – The superintendent will discuss the matter with the person responsible for submitting the information to make sure the claims are filed in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District's response to the findings identified in our audit are described above. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 14, 2011

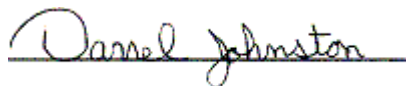
OTHER INFORMATION

Lookeba-Sickles ISD No. 12, Caddo County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2011

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Lookeba- Sickles Independent School District* for the audit year 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2011.

Notary Public

My Commission Expires 11-12-12

Lookeba-Sickles ISD No. 12, Caddo County
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2011

Financial Statement Findings

2010-1 Finding - Lack of Segregation of Duties

Statement of Condition - The encumbrance clerk inputs receipts into the computer and reconciles the bank account. These duties should be performed by the Treasurer.

Criteria – A good system of internal controls provides for a proper segregation of the collecting, check writing and reconciling functions.

Cause/Effect of Condition – Due to the limited number of personnel available in the accounting area, there is a possibility that errors or irregularities may occur and not be detected within a timely period by another employee while performing their normal procedures.

Recommendation – The board should assess the advantages of segregating the accounting functions in order to determine whether hiring/assigning additional personnel would be cost effective.

Current Status - The treasurer is inputting receipts into the computer and performing the bank reconciliation.

Management Letter Comments

2010-2 Finding – The district received \$4,433 for Reading Sufficiency (project code 366), but they did not code any expenses to project code 366 to track how these money were spent. State monies received should be offset with expenses and tracked using project codes.

Recommendation - We recommend state expenses equal state revenues and be tracked using project codes.

Current Status – The District has implemented procedures to help track state and federal grants better.

2010-3 Finding – State law requires treasurers receive training on school finance laws of Oklahoma, accounting, ethics and duties and responsibilities of their position. 12 hours of training are required for new treasurers within 9 months of employment. Subsequently, 12 hours of continuing education must be completed every 3 years. It does not appear that the treasurer has completed her continuing education requirements.

Recommendation – The treasurer should complete the required continuing education hours as soon as possible.

Current Status – The treasurer is up to date on her continuing education.

2010-3 – Finding – One support employee's timesheets did not reflect their lunch break. Thus, it appears this employee worked over 40 hours per week when they actually worked 40 hours. If a non-exempt employee works over 40 hours in a work week, the Fair Labor Standards Act requires time and one half be paid for hours worked in excess of 40. Therefore, accurate time records should be maintained for all employees.

Recommendation – In order to accurately track overtime, employees time sheets should reflect time taken for lunch.

Current Status - The district has discussed keeping proper time records with the support staff.