

MOUNTAIN VIEW-GOTEBO INDEPENDENT SCHOOL DISTRICT NO. 3

KIOWA COUNTY, OKLAHOMA

JUNE 30, 2012

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**MOUNTAIN VIEW-GOTEBO INDEPENDENT SCHOOL DISTRICT NO. 1-3, KIOWA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Mountain View-Gotebo Independent School District #3
Kiowa County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2012, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, **Mountain View-Gotebo Independent School District #3** Kiowa County, Oklahoma, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, as of June 30, 2012, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Mountain View-Gotebo Independent School District, #3**, Kiowa County, Oklahoma as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements of **Mountain View-Gotebo Independent School District #3**, Kiowa 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.

Angela Johnston + Blessingame, P.C.

Chickasha, Oklahoma
November 26, 2012

COMBINED FINANCIAL STATEMENTS

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2012
ASSETS							
Cash and Cash Equivalents	\$ 603,065	\$ 193,787	\$ 0	\$ 0	\$ 74,144	\$ 0	\$ 870,995
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	0	0
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	0
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	225,000	225,000
Total Assets	\$ 603,065	\$ 193,787	\$ 0	\$ 0	\$ 74,144	\$ 225,000	\$ 1,095,995
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 69,600	\$ 629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,230
Reserve for Encumbrances	33,018	22,062	0	0	0	0	55,080
Due to Activity Groups	0	0	0	0	74,144	0	74,144
General Obligation Bonds Payable	0	0	0	0	0	0	0
Capitalized Lease Obligations Payable	0	0	0	0	0	225,000	225,000
Total Liabilities	\$ 102,618	\$ 22,691	\$ 0	\$ 0	\$ 74,144	\$ 225,000	\$ 424,454
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for Capital Projects	0	0	0	0	0	0	0
Cash Fund Balance	500,447	171,095	0	0	0	0	671,542
Total Fund Equity	\$ 500,447	\$ 171,095	\$ 0	\$ 0	\$ 0	\$ 0	\$ 671,542
Total Liabilities and Fund Equity	\$ 603,065	\$ 193,787	\$ 0	\$ 0	\$ 74,144	\$ 225,000	\$ 1,095,995

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

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012
Revenue Collected:					
Local Sources	\$ 1,342,165	\$ 216,888	\$ 0	\$ 0	\$ 1,559,053
Intermediate Sources	50,982	0	0	0	50,982
State Sources	997,622	1,965	0	0	999,587
Federal Sources	217,169	91,239	0	0	308,408
Non-Revenue Receipts	987	0	0	0	987
<i>Total Revenue Collected</i>	<u>\$ 2,608,924</u>	<u>\$ 310,092</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,919,017</u>
Expenditures Paid:					
Instruction	\$ 1,288,250	\$ 0	\$ 0	\$ 0	\$ 1,288,250
Support Services	876,704	123,472	0	0	1,000,176
Operation of Non-Instructional Services	90,152	143,291	0	0	233,444
Facilities Acquisition and Construction	850	0	0	0	850
Other Outlays	639	0	0	0	639
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	0	0	0
Interest and Fiscal Agent Fees	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,256,596</u>	<u>\$ 266,764</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,523,359</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 352,329</u>	<u>\$ 43,329</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 395,658</u>
Adjustments to Prior Year Encumbrances	<u>\$ 1,408</u>	<u>\$ 2,236</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,644</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 305	\$ 1,245	\$ 0	\$ 0	\$ 1,550
Bond Proceeds	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(300)	0	0	0	(300)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 5</u>	<u>\$ 1,245</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,250</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 353,741</u>	<u>\$ 46,810</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400,552</u>
<i>Fund Balance - Beginning of Year</i>	<u>146,705</u>	<u>124,285</u>	<u>0</u>	<u>0</u>	<u>270,990</u>
<i>Fund Balance - End of Year</i>	<u>\$ 500,447</u>	<u>\$ 171,095</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 671,542</u>

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

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2012

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 875,974	\$ 1,235,367	\$ 1,342,165	\$ 147,122	\$ 147,122	\$ 216,888	\$ 0	\$ 0	\$ 0
Intermediate Sources	43,557	43,557	50,982	0	0	0	0	0	0
State Sources	944,926	944,926	997,622	7,125	7,125	1,965	0	0	0
Federal Sources	129,182	129,182	217,169	81,057	81,057	91,239	0	0	0
Non-Revenue Receipts	0	0	987	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,993,639</u>	<u>\$ 2,353,032</u>	<u>\$ 2,608,924</u>	<u>\$ 235,304</u>	<u>\$ 235,304</u>	<u>\$ 310,092</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures Paid:									
Instruction	\$ 1,760,629	\$ 2,120,022	\$ 1,288,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	333,527	333,527	876,704	220,832	220,832	123,472	0	0	0
Operation of Non-Instructional Services	0	0	90,152	123,757	123,757	143,291	0	0	0
Facilities Acquisition and Construction	0	0	850	15,000	15,000	0	0	0	0
Other Outlays	46,189	46,189	639	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 on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,140,345</u>	<u>\$ 2,499,737</u>	<u>\$ 2,256,596</u>	<u>\$ 359,589</u>	<u>\$ 359,589</u>	<u>\$ 266,764</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess of Revenues Collected Over (Under)</i> <i>Expenditures Paid Before Adjustments to</i> <i>Prior Year Encumbrances</i>	<u>\$ (146,705)</u>	<u>\$ (146,705)</u>	<u>\$ 352,329</u>	<u>\$ (124,285)</u>	<u>\$ (124,285)</u>	<u>\$ 43,329</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,408</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,236</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 305	\$ 0	\$ 0	\$ 1,245	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	(300)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,245</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>\$ (146,705)</u>	<u>\$ (146,705)</u>	<u>\$ 353,741</u>	<u>\$ (124,285)</u>	<u>\$ (124,285)</u>	<u>\$ 46,810</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Fund Balance - Beginning of Year</i>	<u>146,705</u>	<u>146,705</u>	<u>146,705</u>	<u>124,285</u>	<u>124,285</u>	<u>124,285</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 500,447</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,095</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Mountain View-Gotebo Public Schools Independent District No. 3, Kiowa 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."

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

Governmental Fund Types

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

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

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

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund and 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. Currently the District does not have any general long-term debt.

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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

1.B. Fund Accounting, (continued)

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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

- 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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

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

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

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

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

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have 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.

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

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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

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

expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

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

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

Note 2 – Deposit and Investment Risk

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

		<u>Carrying Value</u>	
Deposits			
Demand Deposits	\$	875,264	
Time Deposits		<u>0</u>	
Total Deposits	\$	<u><u>875,264</u></u>	
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ <u>0</u>
Total Investments			\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents	\$	870,995	
Activity Fund Outstanding Checks		<u>4,269</u>	
Total Deposits and Investments	\$	<u><u>875,264</u></u>	

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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

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

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

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

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

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

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

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

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

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

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

Note 3 – General Long Term Debt

General long-term debt of the District consists of capital leases. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012.

	Capital Lease Obligations	Total
Balance July 1, 2011	0	0
Additions	225,000	225,000
Retirements	0	0
Balance, June 30, 2012	225,000	225,000

The District has entered into a lease agreement as lessee for financing the building renovations. This lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

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

Year Ending June 30	School Renovations	Total
2013	\$ 32,035	\$ 32,035
2014	32,035	32,035
2015	32,035	32,035
2016	32,035	32,035
2017	32,035	32,035
2018	32,035	32,035
2019	32,034	32,034
2020	32,035	32,035
2021	32,035	32,035
2022	32,035	32,035
Total	320,349	\$ 320,349
Less: Amount Representing Interest	(95,349)	(95,349)
Present Value of Future Minimum Lease Payments	\$ 225,000	\$ 225,000

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System

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

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

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

The District's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were \$107,229, \$130,271, and \$134,217 respectively.

The compensation for employees covered by the System for the year ended June 30, 2012 was \$1,139,921; the District's total compensation was \$1,403,036. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.00% of compensation arising from federal grants (\$8,213) and 9.50% of compensation arising from post retirement employees (\$1,063). There were \$60,888, contributions made by employees during the year ended June 30, 2012.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System, (continued)

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

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

Nonfunded pension benefit obligation	<u>\$ 7,600,178,301</u>
--------------------------------------	-------------------------

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

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

Note 5 - Contingencies

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

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.

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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 8 – Surety Bonds

The Superintendent is bonded by Farmers Alliance, bond number BD085648 for the penal sum of \$100,000 for the term of July 15, 2011 to July 14, 2012.

The treasurer is bonded by Western Surety Company, bond number 68503754 for the penal sum of \$50,000 for the term of July 1, 2011 to July 1, 2012.

The encumbrance clerk is bonded by Western Surety Company, bond number 61089845 for the penal sum of \$50,000 for the term June 20, 2011 to June 20, 2012.

The activity fund custodian is bonded by Western Surety Company, bond #61220599 for the penal sum of \$50,000 for the term December 9, 2011 to indefinite.

Note 9 – Budget Amendments

The general fund budget was amended once during the year by filing a supplemental appropriations form with the county clerk's office. The supplemental appropriation was filed April 17, 2012 for \$359,392. This increased the original general fund budget from \$2,140,345 to \$2,499,737.

The child nutrition fund budget was amended once during the year by filing a supplemental appropriations form with the county clerk's office. The supplemental appropriation was filed August 7, 2012 for \$10,000. This increased the original budget from \$114,678 to \$124,678.

OTHER SUPPLEMENTAL INFORMATION

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 177,317	\$ 16,470	\$ 193,787
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 177,317</u>	<u>\$ 16,470</u>	<u>\$ 193,787</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 409	\$ 220	\$ 629
Reserve for Encumbrances	<u>8,000</u>	<u>14,062</u>	<u>22,062</u>
<i>Total Liabilities</i>	<u>\$ 8,409</u>	<u>\$ 14,282</u>	<u>\$ 22,691</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 168,908</u>	<u>\$ 2,187</u>	<u>\$ 171,095</u>
<i>Total Fund Balance</i>	<u>\$ 168,908</u>	<u>\$ 2,187</u>	<u>\$ 171,095</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 177,317</u>	<u>\$ 16,470</u>	<u>\$ 193,787</u>

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2012

	Building Fund	Child Nutrition Fund	Total June 30, 2012
Revenue Collected:			
Local Sources	\$ 192,790	\$ 24,098	\$ 216,888
Intermediate Sources	0	0	0
State Sources	20	1,945	1,965
Federal Sources	0	91,239	91,239
Non-Revenue Receipts	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue Collected</i>	<u>\$ 192,810</u>	<u>\$ 117,283</u>	<u>\$ 310,092</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	123,472	0	123,472
Operation of Non-Instructional Services	23,590	119,702	143,291
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 147,062</u>	<u>\$ 119,702</u>	<u>\$ 266,764</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 45,748</u>	<u>\$ (2,419)</u>	<u>\$ 43,329</u>
Adjustments to Prior Year Encumbrances	<u>\$ 2,236</u>	<u>\$ 0</u>	<u>\$ 2,236</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 1,245	\$ 0	\$ 1,245
Transfers In	0	0	0
Transfers Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 1,245</u>	<u>\$ 0</u>	<u>\$ 1,245</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 49,229</u>	<u>\$ (2,419)</u>	<u>\$ 46,810</u>
<i>Fund Balance - Beginning of Year</i>	<u>119,679</u>	<u>4,606</u>	<u>124,285</u>
<i>Fund Balance - End of Year</i>	<u>\$ 168,908</u>	<u>\$ 2,187</u>	<u>\$ 171,095</u>

Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2012

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 125,232	\$ 125,232	\$ 192,790	\$ 21,890	\$ 21,890	\$ 24,098	\$ 147,122	\$ 147,122	\$ 216,888
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	20	7,125	7,125	1,945	7,125	7,125	1,965
Federal Sources	0	0	0	81,057	81,057	91,239	81,057	81,057	91,239
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 125,232</u>	<u>\$ 125,232</u>	<u>\$ 192,810</u>	<u>\$ 110,072</u>	<u>\$ 110,072</u>	<u>\$ 117,283</u>	<u>\$ 235,304</u>	<u>\$ 235,304</u>	<u>\$ 310,092</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	220,832	220,832	123,472	0	0	0	220,832	220,832	123,472
Operation of Non-Instructional Services	9,079	9,079	23,590	114,678	114,678	119,702	123,757	123,757	143,291
Facilities Acquisition and Construction	15,000	15,000	0	0	0	0	15,000	15,000	0
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>\$ 244,910</u>	<u>\$ 244,910</u>	<u>\$ 147,062</u>	<u>\$ 114,678</u>	<u>\$ 114,678</u>	<u>\$ 119,702</u>	<u>\$ 359,589</u>	<u>\$ 359,589</u>	<u>\$ 266,764</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (119,679)</u>	<u>\$ (119,679)</u>	<u>\$ 45,748</u>	<u>\$ (4,606)</u>	<u>\$ (4,606)</u>	<u>\$ (2,419)</u>	<u>\$ (124,285)</u>	<u>\$ (124,285)</u>	<u>\$ 43,329</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,236</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,236</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 1,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,245
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,245</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,245</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (119,679)</u>	<u>\$ (119,679)</u>	<u>\$ 49,229</u>	<u>\$ (4,606)</u>	<u>\$ (4,606)</u>	<u>\$ (2,419)</u>	<u>\$ (124,285)</u>	<u>\$ (124,285)</u>	<u>\$ 46,810</u>
<i>Fund Balance - Beginning of Year</i>	<u>119,679</u>	<u>119,679</u>	<u>119,679</u>	<u>4,606</u>	<u>4,606</u>	<u>4,606</u>	<u>124,285</u>	<u>124,285</u>	<u>124,285</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 168,908</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,187</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,095</u>

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2012

<u>ASSETS</u>	School Activity Fund
Cash	\$ 74,144
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 74,144</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>74,144</u>
<i>Total Liabilities</i>	<u>\$ 74,144</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 74,144</u>

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

ACTIVITIES	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Athletics	\$ 5,449	\$ 26,026	\$ 30,248	\$ 1,227
Concessions	117	11,671	11,671	117
Petty Cash	0	300	300	0
Clearing Account	0	0	0	0
Jr.-Sr. Library	38	0	0	38
FFA Fees & Dues	1,027	24,890	24,191	1,726
FCCLA	126	0	0	126
Technology Ed. Projects	1,069	60	130	999
Technology Ed. Club	129	0	0	129
Miscellaneous	1,261	3,400	2,882	1,780
Music	3,069	0	737	2,333
Football/Weight Lifting	1,190	747	1,838	99
Jr./Sr. Cheerleaders	2,116	4,912	5,519	1,509
Student Council	608	0	233	375
Class of 2012	10,810	36,220	47,030	(0)
Art Fees	1,086	0	29	1,057
Class of 2013	573	24,809	17,036	8,346
Yearbook	10,604	5,425	6,098	9,931
Vending Machine	3,552	3,286	3,871	2,967
Class of 2014	0	0	0	0
Elementary PK-6 Activities	4,620	14,539	14,010	5,149
Fellowship of Christian Athl	51	0	0	51
4-H	11	0	0	11
Athletic Shirt Sales	774	4,170	3,067	1,876
HS Boys Basketball	370	2,169	2,509	30
Swimming Pool	4,219	3,010	5,474	1,755
Swimming Pool Concessions	1,367	2,104	1,436	2,034
BPA	10,616	7,065	5,193	12,487
HS Girls Basketball	294	0	0	294
HS Boys Baseall	269	2,232	2,400	101
Student Clearing Acct	46	4,907	4,911	42
After Prom Party Account	271	1,717	1,832	155
MVG Academic Team	1,436	769	1,209	996
Softball	493	0	0	493
Gearup Parent Leadership Grant	1,155	26	105	1,076
Baseball Concession Account	0	1,091	1,091	0
Educational Foundation Acct.	5,973	41,797	32,936	14,834
Total Activities	\$ 74,787	\$ 227,342	\$ 227,985	\$ 74,144

MOUNTAIN VIEW-GOTEBO INDEPENDENT SCHOOL DISTRICT NO. 3, KIOWA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Grantor's Number</u>	<u>Deferred Revenue (Accounts Receivable) July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Deferred Revenue (Accounts Receivable) June 30, 2012</u>
U.S. Department of Education						
Direct Programs:						
Title VII, Part A, Indian Education	84.060	561	(23,720)	23,720	0	0
Title VI, Subpart 1, Smal Rural School Achievment	84.358	588	(14,481)	26,204	11,723	0
Title VIII, Impact Aid (Note 3)	84.041	591	25,645	11,651	0	37,296
Title VIII, Impact Aid Special Ed. (Note 3)	84.041	592	940	1,692	0	2,632
Passed Through State Department of Education:						
Title I, Basic	84.010	511	0	68,518	68,518	0
ARRA Title I Part A	84.389	516	0	3,712	3,712	0
Title 1 Cluster			0	72,231	72,231	0
IDEA-B Flowthrough	84.027	621	0	39,931	39,931	0
ARRA IDEA Part B Flow Through	84.391A	622	0	289	289	0
IDEA-B Preschool	84.173	641	0	532	532	0
Special Education Cluster			0	40,752	40,752	0
ARRA Education Stabilization Fund (Note 4)	84.394	782	7,837	2,564	2,564	0
Title II, Part A, Teacher & Prin Training	84.367	586	0	17,669	17,669	0
Gear Up (Note 3)	84.334A	771	15,862	2,000	0	17,862
Education JOBS Fund	84.410	790	0	7,912	141,764	(133,852)
Total U.S. Department of Education			12,083	206,395	286,703	(76,062)
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Child Nutrition Cluster:						
Breakfast Program	10.553	764	0	32,114	32,114	0
Lunch Program	10.555	763	0	59,125	59,125	0
Commodities Distributed -Lunch (Note 2)	10.555	N/A	0	7,360	7,360	0
Summer Food Program	10.559	766	0	0	2,498	(2,498)
Child Nutrition Cluster			0	98,600	101,098	(2,498)
Total U.S. Department of Agriculture			0	98,600	101,098	(2,498)
Other Federal Assistance						
Medicaid Resources	93.778	698	713	0	0	0
Johnson O'Malley	15.130	563	979	10,774	7,263	4,490
Total Other Federal Assistance:			1,692	10,774	7,263	4,490
TOTAL FEDERAL ASSISTANCE			13,775	315,769	395,064	(74,070)

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

Note 2 - Commodities received in the amount of \$7,360 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - The District did not code any expenditures to the Impact Aid or Gear-Up project codes.

Note 4 - The Schedule of Federal Expenditures for the 2010-11 year reflected a \$7,837 balance of deferred revenue. However, it appears the district was able to document to the State Department of Education that these monies were expended in the 2010-11 year even though it was not reflected on the original OCAS data. Thus, these monies have now been accounted for.

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

	<u>CFDA#</u>	<u>Project #</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>ARRA Deferred (Accounts Rec)</u>
ARRA Title I Part A	84.389	516	3,712	3,712	0
ARRA Special Education	84.391A	622	289	289	0
ARRA Education Stabilization Fund	84.394	782	2,564	2,564	0
Total			6,565	6,565	0



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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education
Mountain View-Gotebo Independent School District #3
Kiowa County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated November 26, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

2012-1 Finding

Statement of Condition - The district received monies from Impact aid (project codes 591 and 592) and Gear-Up (Project code 771) during the year but did not code any expenditures to these projects. In addition, the district had not coded enough expenditures to these projects in the past. Below are the unexpended balances:

	<u>Project</u>	<u>Unexpended Balance 7-1-11</u>	<u>Receipts 2011-2012</u>	<u>Expenditures Coded to Project 2011-2012</u>	<u>Unexpended Balance 6-30-12</u>
Impact Aid	591	\$ 25,645	\$ 11,651	\$ 0	\$ 37,296
Impact Aid Special Ed.	592	940	1,692	0	2,632
Gear Up	771	15,862	2,000	0	17,862

Criteria – Federal regulations require districts track how their federal grant monies are expended.

Cause/Effect of Condition - The district had new personnel that were not aware that they had to track how these federal monies were expended.

Recommendation –We recommend the district code expenditures in 2012-13 to account for the unexpended balance of these grants as well as for additional revenues received during the 2012-13 year.

2012-2 Finding

Statement of Condition – We noted the district paid two large bills out of the 2012-13 building fund appropriations that were for items ordered before June 30, 2012. Since these items were obligated before June 30, they should have been paid from 2011-12 appropriations. In addition, the district paid a bill out of 2011-12 general fund for items ordered and shipped in the 2010-11 fiscal year.

Criteria – Bills should be paid from the fiscal year in which they are obligated.

Cause/Effect of Condition – The person in charge of paying and reserving expenditures was new and was not familiar with this procedure.

Recommendation – We recommend that bills be encumbered/paid out the fiscal year in which they are obligated.

2012-3 Finding

Statement of Condition – During activity fund expenditure testing, we noted 11 of 16 invoices were not signed to indicate receipt of goods or services.

Criteria – Invoices should have the signature of the person receiving the goods or services acknowledging they were received in good condition and thus, the bill can be paid.

Cause/Effect of Condition – School purchasing procedures were not followed. This could allow the district to pay a bill for which the goods/services were not received.

Recommend – We recommend the person receiving the goods/services sign the invoice or packing slip to indicate satisfactory receipt of goods/services prior to payment being made.

2012-4 – Finding

Statement of Condition - The board approved a Senior Class bank account to make purchases for a senior trip by using a debit card on the account. The school transferred \$8,000 to the separate bank account and coded the entire transaction to an expense function code of 2720 instead of coding the actual detailed expenditures as they were expended. The sponsor did turn in invoices/documentation to document the transactions.

Criteria – All activity fund bank accounts and revenue/expenditures of those accounts should be recorded on the financial statements and included in the OCAS data. Proper accounting procedures (approval of a purchase requisition before the purchase is made, etc.) should be followed for all activity fund transactions.

Cause/Effect of Condition – The school is trying to find the best way to pay for these senior trip expenses because most hotels, venues, etc. will not accept a purchase order.

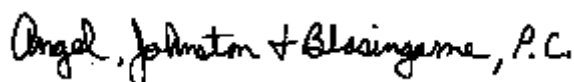
Recommendation – We recommend that a transfer to another bank account be recorded as a transfer and all expenditures of the new account be reported individually in the accounting records. Further, the district needs to follow purchasing procedures for all purchases.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the board of education of **Mountain View-Gotebo Independent School District #3**, 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.



Chickasha, Oklahoma
November 26, 2012

OTHER INFORMATION

Mountain View-Gotebo ISD No. 3, Kiowa County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Mountain View- Gotebo *Schools* for the audit year 2011-12.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



By: _____

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

Notary Public

My Commission Expires 11-12-2016

Mountain View-Gotebo ISD No. 3, Kiowa County
 Summary Schedule of Prior Year Audit Findings
 Year Ended June 30, 2012

2011-1 Finding

Statement of Condition - While helping to prepare the Estimate of Needs in August 2011, we noted that the District had over expended its original appropriations in the child nutrition fund by \$13,124 (even though it had enough cash to make the expenditures). Upon notification, the District filed a supplemental appropriation form with the county excise board for \$14,063.

Criteria – State law prohibits a school from approving expenditures in excess of its appropriations approved by the county excise board (including any supplemental appropriations filed and approved).

Cause/Effect of Condition –. The school was not monitoring its available appropriations to ensure that appropriations were not overspent and, therefore, expended more than the amount approved.

Recommendation – The school should check its available appropriations for all funds prior to approving a purchase order to ensure that the approved budget is not exceeded.

Current Status – The child nutrition fund budget was overspent by \$5,023.05 during the 2011-12 year. A supplemental appropriation was filed after year end.

2011-2 – Finding

Statement of Condition –The school did not code adequate expenditures to account for specific revenues received for the following programs:

<u>Program</u>	<u>Prior Year Undercoding</u>	<u>Received</u>	<u>Expenditures</u>	<u>Variance</u>
Title VIII – Impact Aid	\$ 9,751	\$ 15,894	\$ 0	\$25,645
Title VIII-Impact Aid Spec Ed	940	0	0	940
ARRA Stabilization	3,803	70,898	66,864	7,837
Medicaid Resources	713	0	0	713
Johnson O’Malley	2,425	6,718	8,164	979

Criteria –The school should code adequate expenditures to account for specific revenues received.

Cause/Effect of Condition –The school is not monitoring expenditures coded to specific state or federal project codes and may be asked to prove how these funds were used.

Recommendation – The school should code additional expenditures to these accounts in the 2011-12 fiscal year to account the amounts under coded in prior years.

Current Status – This was not corrected during the 2011-12 year and is noted again in our current year findings as 2012-1 Finding.

2011-3 – Finding

Statement of Condition – The Sr. Class of 2011 planned a trip to Hawaii. The sponsors of the trip, who had to reserve autos, cabins, excursions etc., prior to the trip, did not want to use their own credit cards to pay for these activities. Therefore, the school wrote a check to the sponsor for \$4,516.03. The Superintendent authorized the sponsor to open a checking account and obtain a debit card to pay for these items. It does not appear the opening of the new account was approved by the school board. Also, the account was not opened in the school’s name. It was opened in the sponsor’s names and designated as the 2011 Senior Trip to Hawaii account. Upon return from the trip, a total of \$4,278.29 had been expended from the debit card account. The sponsors could only provide documentation to support \$2,278.95 of the expenditures paid form this account. Upon review of the bank account, it appears the expenditures for missing documentation could be considered applicable to the trip. The bank account had \$237.74

remaining in the account at the end of the trip. The remaining funds were withdrawn by the sponsors and distributed to the students, rather than being returned to the activity fund. We reviewed the sheets signed by the students and verified that they received the remaining funds..

Criteria – All new bank accounts opened should be approved by the Board. Also, new accounts should not be placed in the care of outside sponsors. A better situation would be to set up the new account under the school's name but have the sponsors as signors on the account. All documentation should be kept and turned into the activity fund custodian to support the expenditures from this account. Also, any unused funds should be re-deposited to the activity fund. Those funds could then be spent at the board's discretion.

Cause/Effect of Condition – This was an unusual situation and the school was trying to come up with an appropriate way to make these expenditures and accommodate the sponsors. Policies were not followed for opening bank accounts, keeping documentation and re-depositing remaining funds.

Recommendation – The school should establish policies on accounting for senior trips and sponsors should be made aware of documentation and re-depositing of funds requirements.

Current Status – The board approved the opening of the account for the 2011-12 year, but they continued to have some issues with tracking actual expenditures from the account.

2011-4 – Finding

Statements of Condition – There are currently no procedures in place for collecting and depositing swimming pool gate and concession proceeds. They are also holding money for long periods of time (usually only depositing once a month). Two people are not counting the money before it is placed under the control of one person.

Criteria – Good internal controls require a reconciliation of people attending and money collected be signed off by two individuals prior to the money being placed under the control of one individual. Concessions should be counted by two individuals as well. Also, revenues and expenditures should be monitored to see if a profit is being made on the concessions.

Cause/Effect of Condition – No procedures are in place for collecting and depositing money, therefore, opportunities for misappropriation of funds could occur and not be caught by the District in a timely manner.

Recommendation – Procedures need to be put into place similar to gates and concessions for sporting events. Also, an analysis of concession proceeds verses concession purchases should be made to determine if concession profits are reasonable.

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

2011-5 – Finding

Statement of Condition – It appears that class parents are filling out purchase requisitions for supply purchases. Also, sponsors are not signing to indicate receipt of goods/services in the activity fund.

Criteria – Only sponsors/authorized personnel should be requesting purchase of goods/services for school activity funds. Invoices/shipping tickets should have a signature indicated receipt of goods/services prior to payment being issued.

Cause/Effect of Condition – Lack of proper procedures could cause increased risk of fraud in activity fund accounts.

Recommendation – Only sponsors of activity fund accounts should request purchases from the accounts and the sponsors should sign the receipt indicating the goods/services were received and they were in good condition.

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

SCHOOL'S CORRECTIVE ACTION PLAN

Mountain View-Gotebo **PUBLIC SCHOOL DISTRICT**

Kiowa County **COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2011-2012

AUDIT FINDING REFERENCE NUMBER: Exhibit C-1

DESCRIPTION OF FINDING: Impact Aid, Impact Aid Special Education, and GEAR
UP Funds were not appropriately coded to show the expenditure of the funds
and an excessive amount of carryover monies had built up.

CONTACT PERSON: Stormy Fischer

STEPS IMPLEMENTED: The District is in the process of coding the funds from
IMPACT Aid, Impact Aid Special Education and GEAR UP into the appropriate
activities to correctly code the appropriate amount of money

COMPLETION DATE: Estimated completion 12/20/2012

Mountain View-Gotebo **PUBLIC SCHOOL DISTRICT**

Kiowa County **COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2011-2012

AUDIT FINDING REFERENCE NUMBER: Exhibit C-2 (2012-2)

DESCRIPTION OF FINDING: Current year bills were paid out of previous year
reserve funds

CONTACT PERSON: Andy Evans and Stormy Fischer

STEPS IMPLEMENTED: The encumbrance clerk has been instructed on proper
procedures in closing out the year and maintaining the reserve funds properly.

Each purchase at the end of the year will be closely scrutinized as to its correct payment.

COMPLETION DATE: Immediately

Mountain View-Gotebo **PUBLIC SCHOOL DISTRICT**

Kiowa County **COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2011-2012

AUDIT FINDING REFERENCE NUMBER: Exhibit C-3 (2012-3)

DESCRIPTION OF FINDING: Activity Fund payments did not have signatures
indicating goods and services received

CONTACT PERSON: Andy Evans and Treva Dirickson

STEPS IMPLEMENTED: Any good or service purchased with Activity Funds
require a sign off prior to any check being printed.

COMPLETION DATE: Immediately

Mountain View-Gotebo PUBLIC SCHOOL DISTRICT

Kiowa County COUNTY

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2011-2012

AUDIT FINDING REFERENCE NUMBER: Exhibit C-4 (2012-4)

DESCRIPTION OF FINDING: Proper accounting procedures were not in place for the movement of money from the Activity Fund to a bank account for the Sr. trip.

CONTACT PERSON: Andy Evans and Treva Dirickson

STEPS IMPLEMENTED: All monies for Sr. Trips will be encumbered through the Activity Fund and electronic expenditures (credit cards/debit cards) will be examined for use for future trips. This will be recorded within the District Activity Accounts.

COMPLETION DATE: Immediately