

MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 69
CANADIAN COUNTY, OKLAHOMA
JUNE 30, 2012

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**MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

BOARD OF EDUCATION

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1st Vice President	Jeffery Johnson
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Mustang Independent School District #69
Canadian County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Mustang Independent School District #69**, Canadian 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, **Mustang Independent School District #69**, Canadian 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 **Mustang Independent School District #69**, Canadian 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 **Mustang Independent School District, #69**, Canadian 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 December 5, 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 **Mustang Independent School District #69**, Canadian 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
December 5, 2012

COMBINED FINANCIAL STATEMENTS

Mustang School District No. I-069, Canadian 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	\$ 14,838,761	\$ 2,445,234	\$ 4,011,960	\$ 15,122,150	\$ 641,719	\$ 0	\$ 37,059,824
Investments	485,000	245,000	485,000	0	250,000	0	1,465,000
Amounts Available in Debt Service Fund	0	0	0	0	0	4,496,960	4,496,960
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	27,258,040	27,258,040
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	26,820,000	26,820,000
Amounts to be Provided for Compensated Absences	0	0	0	0	0	1,862,058	1,862,058
Total Assets	\$ 15,323,761	\$ 2,690,234	\$ 4,496,960	\$ 15,122,150	\$ 891,719	\$ 60,437,058	\$ 98,961,882
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 6,716,625	\$ 497,460	\$ 0	\$ 878,535	\$ 0	\$ 0	\$ 8,092,620
Reserve for Encumbrances	1,358,588	322,028	0	0	0	0	1,680,616
Due to Activity Groups	0	0	0	0	891,719	0	891,719
General Obligation Bonds Payable	0	0	0	0	0	31,755,000	31,755,000
Capitalized Lease Agreements Payable	0	0	0	0	0	26,820,000	26,820,000.00
Compensated Absences Payable	0	0	0	0	0	1,862,058	1,862,058
Total Liabilities	\$ 8,075,212	\$ 819,488	\$ 0	\$ 878,535	\$ 891,719	\$ 60,437,058	\$ 71,102,012
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 4,496,960	\$ 0	\$ 0	\$ 0	\$ 4,496,960
Reserved for Capital Projects	0	0	0	14,243,615	0	0	14,243,615
Cash Fund Balance	7,248,549	1,870,746	0	0	0	0	9,119,295
Total Fund Equity	\$ 7,248,549	\$ 1,870,746	\$ 4,496,960	\$ 14,243,615	\$ 0	\$ 0	\$ 27,859,870
Total Liabilities and Fund Equity	\$ 15,323,761	\$ 2,690,234	\$ 4,496,960	\$ 15,122,150	\$ 891,719	\$ 60,437,058	\$ 98,961,882

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

Mustang School District No.1-069, Canadian 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	\$ 12,980,496	\$ 5,712,258	\$ 8,132,264	\$ 8,348	\$ 26,833,366
Intermediate Sources	1,860,443	0	0	0	1,860,443
State Sources	33,055,434	279,258	0	0	33,334,692
Federal Sources	2,718,532	1,312,092	0	0	4,030,625
Non-Revenue Receipts	19,728	8,888	209,067	0	237,683
<i>Total Revenue Collected</i>	<u>\$ 50,634,634</u>	<u>\$ 7,312,497</u>	<u>\$ 8,341,331</u>	<u>\$ 8,348</u>	<u>\$ 66,296,810</u>
Expenditures Paid:					
Instruction	\$ 32,087,594	\$ 0	\$ 0	\$ 26,471	\$ 32,114,065
Support Services	19,083,841	1,900,644	0	1,881,044	22,865,529
Operation of Non-Instructional Services	0	3,768,756	0	0	3,768,756
Facilities Acquisition and Construction	33,469	1,374,100	0	5,460,244	6,867,813
Other Outlays	19,984	8,888	0	2,024	30,896
Other Uses	0	0	0	0	0
Repayments	677	224	0	0	901
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	7,380,000	0	7,380,000
Interest and Fiscal Agent Fees	0	0	546,140	0	546,140
<i>Total Expenditures Paid</i>	<u>\$ 51,225,565</u>	<u>\$ 7,052,613</u>	<u>\$ 7,926,140</u>	<u>\$ 7,369,782</u>	<u>\$ 73,574,100</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (590,931)</u>	<u>\$ 259,884</u>	<u>\$ 415,191</u>	<u>\$ (7,361,435)</u>	<u>\$ (7,277,291)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 134,038</u>	<u>\$ 31,458</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 165,496</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 1,556	\$ 547	\$ 0	\$ 0	\$ 2,103
Bond Proceeds	0	0	0	12,652,024	12,652,024
Transfers In	66,688	1,690	0	0	68,378
Transfers Out	0	(4,845)	0	0	(4,845)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 68,244</u>	<u>\$ (2,608)</u>	<u>\$ 0</u>	<u>\$ 12,652,024</u>	<u>\$ 12,717,660</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (388,649)</u>	<u>\$ 288,734</u>	<u>\$ 415,191</u>	<u>\$ 5,290,589</u>	<u>\$ 5,605,865</u>
<i>Fund Balance - Beginning of Year</i>	<u>7,637,198</u>	<u>1,582,012</u>	<u>4,081,769</u>	<u>8,953,026</u>	<u>22,254,005</u>
<i>Fund Balance - End of Year</i>	<u>\$ 7,248,549</u>	<u>\$ 1,870,746</u>	<u>\$ 4,496,960</u>	<u>\$ 14,243,615</u>	<u>\$ 27,859,870</u>

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

Mustang School District No.1-069, Canadian 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	\$ 11,360,569	\$ 11,360,569	\$ 12,980,496	\$ 5,030,418	\$ 6,231,813	\$ 5,712,258	\$ 7,703,434	\$ 7,703,434	\$ 8,132,264
Intermediate Sources	1,508,000	1,508,000	1,860,443	0	0	0	0	0	0
State Sources	29,449,845	29,449,845	33,055,434	210,000	210,000	279,258	0	0	0
Federal Sources	2,757,835	2,757,835	2,718,532	1,120,000	1,120,000	1,312,092	0	0	0
Non-Revenue Receipts	0	0	19,728	0	0	8,888	0	0	209,067
<i>Total Revenue Collected</i>	<u>\$ 45,076,249</u>	<u>\$ 45,076,249</u>	<u>\$ 50,634,634</u>	<u>\$ 6,360,418</u>	<u>\$ 7,561,813</u>	<u>\$ 7,312,497</u>	<u>\$ 7,703,434</u>	<u>\$ 7,703,434</u>	<u>\$ 8,341,331</u>
Expenditures Paid:									
Instruction	\$ 34,544,947	\$ 33,484,967	\$ 32,087,594	\$ 42,329	\$ 42,329	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	18,025,000	19,166,000	19,083,841	2,676,767	2,676,767	1,900,644	0	0	0
Operation of Non-Instructional Services	0	0	0	3,779,755	3,775,755	3,768,756	0	0	0
Facilities Acquisition and Construction	0	33,480	33,469	1,421,580	2,622,349	1,374,100	0	0	0
Other Outlays	133,500	28,000	19,984	6,000	10,125	8,888	11,785,204	11,785,204	7,926,140
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	10,000	1,000	677	2,000	2,500	224	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>\$ 52,713,447</u>	<u>\$ 52,713,447</u>	<u>\$ 51,225,565</u>	<u>\$ 7,928,430</u>	<u>\$ 9,129,825</u>	<u>\$ 7,052,613</u>	<u>\$ 11,785,204</u>	<u>\$ 11,785,204</u>	<u>\$ 7,926,140</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (7,637,198)</u>	<u>\$ (7,637,198)</u>	<u>\$ (590,931)</u>	<u>\$ (1,568,012)</u>	<u>\$ (1,568,012)</u>	<u>\$ 259,884</u>	<u>\$ (4,081,770)</u>	<u>\$ (4,081,770)</u>	<u>\$ 415,191</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,038</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,458</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 1,556	\$ 0	\$ 0	\$ 547	\$ 0	\$ 0	\$ 0
Transfers In	0	0	66,688	0	0	1,690	0	0	0
Transfers Out	0	0	0	(14,000)	(14,000)	(4,845)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,244</u>	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	<u>\$ (2,608)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (7,637,198)</u>	<u>\$ (7,637,198)</u>	<u>\$ (388,649)</u>	<u>\$ (1,582,012)</u>	<u>\$ (1,582,012)</u>	<u>\$ 288,734</u>	<u>\$ (4,081,770)</u>	<u>\$ (4,081,770)</u>	<u>\$ 415,191</u>
<i>Fund Balance - Beginning of Year</i>	<u>7,637,198</u>	<u>7,637,198</u>	<u>7,637,198</u>	<u>1,582,012</u>	<u>1,582,012</u>	<u>1,582,012</u>	<u>4,081,769</u>	<u>4,081,769</u>	<u>4,081,769</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 7,248,549</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 1,870,746</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 4,496,960</u>

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

Mustang ISD No. 69, Canadian 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 Mustang Public Schools Independent District No. 69, Canadian 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."

Mustang ISD No. 69, Canadian 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, Child Nutrition Fund, and the OCMAPS 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.

OCMAPS Fund - The OCMAPS Fund (Oklahoma City Metropolitan Area Public School) consists of monies collected from a limited purpose excise tax earmarked for certain public school or public school facilities expenditures on November 13, 2001. The funds may be expended for providing for improving public school or public school facilities attended by City-resident students by any one or more of the following expenditures: Funding the erection or purchase and complete or partial furnishing and equipping of a public school building, repairs or an existing public school building, furniture or fixtures, improvements, transportation equipment and other equipment.

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 building and transportation bond issues. These funds are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating exiting facilities and purchasing transportation equipment.

Mustang ISD No. 69, Canadian 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)

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.

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:

Mustang ISD No. 69, Canadian 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)

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which 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.

Mustang ISD No. 69, Canadian 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. The District does not pay for unused sick leave upon retirement and, therefore, no amount has 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.

Mustang ISD No. 69, Canadian 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)

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, 2012:

			<u>Carrying Value</u>
Deposits			
Demand Deposits	\$		37,080,748
Time Deposits			<u>1,465,000</u>
Total Deposits	\$		<u><u>38,545,748</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	\$		38,524,824
Activity Fund Outstanding Checks			<u>20,924</u>
Total Deposits and Investments	\$		<u><u>38,545,748</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.

Mustang ISD No. 69, Canadian 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.

Mustang ISD No. 69, Canadian 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

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, and capital leases. 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, 2012:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2011	26,485,000	31,391,422	1,796,783	59,673,205
Additions	12,650,000	0	65,275	12,715,275
Retirements	-7,380,000	-4,571,422	0	-11,951,422
Balance, June 30, 2012	31,755,000	26,820,000	1,862,058	60,437,058

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2012 Combined Purpose 2012 Auth.	1.00%	June 1, 2014	\$ 1,225,000	\$ 1,225,000
2012 Combined Purpose 2009 Auth.	1.25-2.0%	June 2, 2017	11,425,000	11,425,000
2011 Combined Purpose	1.1-2.0%	June 1, 2016	6,825,000	6,825,000
2008 Combined Purpose	2.8 to 3.15%	June 1, 2013	3,840,000	960,000
2009 Combined Purpose	2.0 to 2.50%	June 1, 2014	4,430,000	2,230,000
2010 Combined Purpose	1.45 to 2.00%	June 1, 2015	12,120,000	9,090,000
Totals			\$ 39,865,000	\$ 31,755,000

Mustang ISD No. 69, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2012

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>
2012 Combined Purpose Bonds-(2012 Authority)			
2012-13	\$ 0	\$ 12,250	\$ 12,250
2013-14	1,225,000	12,250	1,237,250
Sub Total	\$ 1,225,000	\$ 24,500	\$ 1,249,500
2012 Combined Purpose Bonds-(2009 Authority)			
2012-13	\$ 0	\$ 171,400	\$ 171,400
2013-14	2,855,000	171,400	3,026,400
2014-15	2,855,000	135,713	2,990,713
2015-16	2,855,000	100,025	2,955,025
2016-17	2,860,000	57,200	2,917,200
Sub Total	\$ 11,425,000	\$ 635,738	\$ 12,060,738
2011 Combined Purpose Bonds			
2012-13	\$ 1,705,000	\$ 109,210	\$ 1,814,210
2013-14	1,705,000	75,110	1,780,110
2014-15	1,705,000	56,355	1,761,355
2015-16	1,710,000	30,780	1,740,780
Sub Total	\$ 6,825,000	\$ 271,455	\$ 7,096,455
2008 Combined Purpose Bonds			
2012-2013	\$ 960,000	\$ 30,240	\$ 990,240
Sub Total	\$ 960,000	\$ 30,240	\$ 990,240
2009 Combined Purpose Bonds			
2012-2013	\$ 1,100,000	\$ 53,000	\$ 1,153,000
2013-2014	1,130,000	28,250	1,158,250
Sub Total	\$ 2,230,000	\$ 81,250	\$ 2,311,250
2010 Combined Purpose Bonds			
2012-2013	\$ 3,030,000	\$ 157,560	\$ 3,187,560
2013-2014	3,030,000	113,625	3,143,625
2014-2015	3,030,000	60,600	3,090,600
Sub Total	\$ 9,090,000	\$ 331,785	\$ 9,421,785
Total Bonds	\$ 31,755,000	\$ 1,374,968	\$ 33,129,968

Mustang ISD No. 69, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 3 - General Long-term Debt (continued)

The District has entered into lease agreements as lessee for financing building construction. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements 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 lease. 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	Building Construction	Total
2013	\$ 9,285,000	\$ 9,285,000
2014	3,925,000	3,925,000
2015	5,280,000	5,280,000
2016	<u>8,330,000</u>	<u>8,330,000</u>
Total	\$ 26,820,000	\$ 26,820,000
Less: Amounts Representing Interest	0	0
Present Value of Future Minimum Lease Payments	\$ <u>26,820,000</u>	<u>26,820,000</u>

Compensated Absences

The District will pay \$50.00 per day for unused sick leave of an employee who retires or terminates employment up to a maximum of 100 days. Also, unused vacation leave will be compensated to support employees who retire or terminate employment at the employees daily rate of pay up to a maximum of 30 days. The districts liability for compensated absences as of June 30, 2012 is \$1,862,058.

Prepaid Judgments

A lawsuit was filed by Twids sporting Goods, court case #SC-1010-677, Canadian County, Oklahoma. The plaintiff was awarded \$2,460 and the district prepaid this amount. This judgment has 1 year left to be levied for \$820.00.

A lawsuit was filed by Nano Pac., Inc. court case #SC-2010-1163, Canadian County, Oklahoma. The Plaintiff was awarded \$2,595 and the district prepaid this amount. This judgment has two years left to levy at \$865.00

A lawsuit was filed by Charlotte McClendon, court case #SC-2010-1162, Canadian County, Oklahoma. The plaintiff was awarded \$831.67 and the district prepaid this amount. The judgment has 2 years left to be levied for \$277.22 each year.

Mustang ISD No. 69, Canadian 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 3,149,486, 2,905,753, and \$2,934,052 respectively.

The compensation for employees covered by the System for the year ended June 30, 2012 was \$33,147,512; the District's total compensation was \$40,668,513. 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 (\$108,880) and 9.50% of compensation arising from post retirement employees (\$). There were \$1,891,117 contributions made by employees during the year ended June 30, 2012.

Mustang ISD No. 69, Canadian 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.

Note 8 – Budget Amendments

The OCMAPS fund was amended once during the year by filing a supplemental appropriation form with the county clerk's office. The supplemental form was filed on November 30, 2012 for \$1,201,394. This increased the original OCMAPS budget from \$1,385,318 to \$2,586,712.

Mustang ISD No. 69, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 9 – Surety Bonds

The District has an employee schedule bond number 1597462 with the Ohio Casualty Insurance Company that covers listed employees for separate dollar amounts. The bond is for the term March 26, 2011 to June 30, 2012 and covers the following penal sums:

Finance Manager	\$1,000,000
Assistant Treasurer	1,000,000
Activity Fund Custodian	10,000
Encumbrance Clerk	10,000
Minutes Clerk	10,000
Assistant Encumbrance Clerk	10,000
Superintendent	100,000

OTHER SUPPLEMENTAL INFORMATION

Mustang School District No.1-069, Canadian 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>MAPS Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 1,216,313	\$ 798,076	\$ 430,844	\$ 2,445,234
Investments	<u>245,000</u>	<u>0</u>	<u>0</u>	<u>245,000</u>
<i>Total Assets</i>	<u>\$ 1,461,313</u>	<u>\$ 798,076</u>	<u>\$ 430,844</u>	<u>\$ 2,690,234</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants Payable	\$ 134,102	\$ 240,700	\$ 122,658	\$ 497,460
Reserve for Encumbrances	<u>283,043</u>	<u>38,985</u>	<u>0</u>	<u>322,028</u>
<i>Total Liabilities</i>	<u>\$ 417,145</u>	<u>\$ 279,685</u>	<u>\$ 122,658</u>	<u>\$ 819,488</u>
Fund Balance:				
Cash Fund Balance	<u>\$ 1,044,169</u>	<u>\$ 518,392</u>	<u>\$ 308,186</u>	<u>\$ 1,870,746</u>
<i>Total Fund Balance</i>	<u>\$ 1,044,169</u>	<u>\$ 518,392</u>	<u>\$ 308,186</u>	<u>\$ 1,870,746</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,461,313</u>	<u>\$ 798,076</u>	<u>\$ 430,844</u>	<u>\$ 2,690,234</u>

Mustang School District No.1-069, Canadian 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

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>MAPS Fund</u>	<u>Total June 30, 2012</u>
Revenue Collected:				
Local Sources	\$ 1,792,464	\$ 2,292,743	\$ 1,627,051	\$ 5,712,258
Intermediate Sources	0	0	0	0
State Sources	0	279,258	0	279,258
Federal Sources	0	1,312,092	0	1,312,092
Non-Revenue Receipts	125	8,763	0	8,888
<i>Total Revenue Collected</i>	<u>\$ 1,792,589</u>	<u>\$ 3,892,857</u>	<u>\$ 1,627,051</u>	<u>\$ 7,312,497</u>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	1,900,644	0	0	1,900,644
Operation of Non-Instructional Services	0	3,768,756	0	3,768,756
Facilities Acquisition and Construction	13,080	0	1,361,020	1,374,100
Other Outlays	125	8,763	0	8,888
Other Uses	0	0	0	0
Repayments	0	50	174	224
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 1,913,849</u>	<u>\$ 3,777,569</u>	<u>\$ 1,361,194</u>	<u>\$ 7,052,613</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (121,261)</u>	<u>\$ 115,288</u>	<u>\$ 265,857</u>	<u>\$ 259,884</u>
Adjustments to Prior Year Encumbrances	<u>\$ 31,001</u>	<u>\$ 457</u>	<u>\$ 0</u>	<u>\$ 31,458</u>
Other Financing Sources (Uses):				
Estopped Warrants	\$ 0	\$ 547	\$ 0	\$ 547
Transfers In	0	1,690	0	1,690
Transfers Out	0	(4,845)	0	(4,845)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (2,608)</u>	<u>\$ 0</u>	<u>\$ (2,608)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (90,260)</u>	<u>\$ 113,137</u>	<u>\$ 265,857</u>	<u>\$ 288,734</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,134,429</u>	<u>405,255</u>	<u>42,329</u>	<u>1,582,012</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,044,169</u>	<u>\$ 518,392</u>	<u>\$ 308,186</u>	<u>\$ 1,870,746</u>

Mustang School District No. I-069, Canadian 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			MAPS Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:												
Local Sources	\$ 1,620,929	\$ 1,620,929	\$ 1,792,464	\$ 1,342,989	\$ 2,544,384	\$ 1,627,051	\$ 2,066,500	\$ 2,066,500	\$ 2,292,743	\$ 5,030,418	\$ 6,231,813	\$ 5,712,258
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	210,000	210,000	279,258	210,000	210,000	279,258
Federal Sources	0	0	0	0	0	0	1,120,000	1,120,000	1,312,092	1,120,000	1,120,000	1,312,092
Non-Revenue Receipts	0	0	125	0	0	0	0	0	8,763	0	0	8,888
<i>Total Revenue Collected</i>	<u>\$ 1,620,929</u>	<u>\$ 1,620,929</u>	<u>\$ 1,792,589</u>	<u>\$ 1,342,989</u>	<u>\$ 2,544,384</u>	<u>\$ 1,627,051</u>	<u>\$ 3,396,500</u>	<u>\$ 3,396,500</u>	<u>\$ 3,892,857</u>	<u>\$ 6,360,418</u>	<u>\$ 7,561,813</u>	<u>\$ 7,312,497</u>
Expenditures Paid:												
Instruction	\$ 0	\$ 0	\$ 0	\$ 42,329	\$ 42,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,329	\$ 42,329	\$ 0
Support Services	2,576,147	2,576,147	1,900,644	100,620	100,620	0	0	0	0	2,676,767	2,676,767	1,900,644
Operation of Non-Instructional Services	0	0	0	0	0	0	3,779,755	3,775,755	3,768,756	3,779,755	3,775,755	3,768,756
Facilities Acquisition and Construction	179,210	179,085	13,080	1,242,370	2,443,264	1,361,020	0	0	0	1,421,580	2,622,349	1,374,100
Other Outlays	0	125	125	0	0	0	6,000	10,000	8,763	6,000	10,125	8,888
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	500	174	2,000	2,000	50	2,000	2,500	224
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,755,357</u>	<u>\$ 2,755,357</u>	<u>\$ 1,913,849</u>	<u>\$ 1,385,318</u>	<u>\$ 2,586,713</u>	<u>\$ 1,361,194</u>	<u>\$ 3,787,755</u>	<u>\$ 3,787,755</u>	<u>\$ 3,777,569</u>	<u>\$ 7,928,430</u>	<u>\$ 9,129,825</u>	<u>\$ 7,052,613</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to</i>												
<i>Prior Year Encumbrances</i>	\$ (1,134,429)	\$ (1,134,429)	\$ (121,261)	\$ (42,329)	\$ (42,329)	\$ 265,857	\$ (391,255)	\$ (391,255)	\$ 115,288	\$ (1,568,012)	\$ (1,568,012)	\$ 259,884
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 31,001	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 457	\$ 0	\$ 0	\$ 31,458
Other Financing Sources (Uses):												
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 547	\$ 0	\$ 0	\$ 547
Transfers In	0	0	0	0	0	0	0	0	1,690	0	0	1,690
Transfers Out	0	0	0	0	0	0	(14,000)	(14,000)	(4,845)	(14,000)	(14,000)	(4,845)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	<u>\$ (2,608)</u>	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	<u>\$ (2,608)</u>					
<i>Excess (Deficiency) of Revenue Collected</i>												
<i>Over Expenditures Paid and Other Financing</i>												
<i>Sources (Uses)</i>	\$ (1,134,429)	\$ (1,134,429)	\$ (90,260)	\$ (42,329)	\$ (42,329)	\$ 265,857	\$ (405,255)	\$ (405,255)	\$ 113,137	\$ (1,582,012)	\$ (1,582,012)	\$ 288,734
<i>Fund Balance - Beginning of Year</i>	<u>1,134,429</u>	<u>1,134,429</u>	<u>1,134,429</u>	<u>42,329</u>	<u>42,329</u>	<u>42,329</u>	<u>405,255</u>	<u>405,255</u>	<u>405,255</u>	<u>1,582,012</u>	<u>1,582,012</u>	<u>1,582,012</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,044,169</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 308,186</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 518,392</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,870,746</u>

Mustang School District No.1-069, Canadian County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 641,719
Investments	<u>250,000</u>
<i>Total Assets</i>	<u>\$ 891,719</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>891,719</u>
<i>Total Liabilities</i>	<u>\$ 891,719</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 891,719</u>

Mustang School District No.I-069, Canadian County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

ACTIVITIES	July 1, 2011	Additions	Deletions	June 30, 2012
Industrial Arts	\$ 353	\$ 1,019	\$ 811	\$ 560
Annual-H.S.	14,091	23,283	29,145	8,229
High School Athletics	72,817	170,414	172,642	70,589
Band H.S.	5,715	93,111	79,413	19,413
Boys Basketball-H.S.	6,729	30,916	27,711	9,934
Boys Soccer-H.S.	3,738	15,638	9,849	9,527
Creating Writing H.S.	122	0	122	0
Odyssey of the Wind	308	0	308	0
D.A.R.E.	416	71	177	310
Mustang Elementary	21,226	35,836	39,288	17,775
Enrichment Organization	7,643	25	0	7,668
Art Mustang Valley	2,697	7,565	4,901	5,360
F.C.A. H.S.	340	0	340	0
FFA-H.S.	18,494	65,409	62,844	21,059
FCCLA-H.S.	850	3,651	2,429	2,072
French Club H.S.	380	1,197	1,563	15
Freshman Cheer - H.S.	3,052	1,412	2,089	2,375
High School General	8,636	116,230	79,702	45,163
Girls Basketball-H.S.	781	6,428	5,147	2,063
Girls Track H.S.	644	2,113	788	1,969
Girls Volleyball H.S.	2,727	6,595	8,582	740
Golf H.S.	497	47	0	543
Lakehoma Elementary	45,503	25,197	41,385	29,315
Native American Club-H.S.	512	0	512	(0)
Media H.S.	2,955	2,780	1,162	4,573
Media M.S.	2,828	819	351	3,296
Media- North MS	8,504	18,942	15,187	12,260
Key Club H.S.	803	778	775	807
Athletics-M.S.	74,419	68,577	80,357	62,639
Band M.S.	13,368	30,704	35,724	8,348
Cheer M.S.	546	1,608	1,369	785
FCA-M.S.	2,513	293	299	2,507
Middle School	30,522	18,952	37,395	12,079
Skills for Living -M.S.	476	2	0	477
Pep Club-M.S.	775	3	0	777
Science Club-M.S.	228	0	212	16
Cheer North M.S.	94	0	0	94
Student Council-M.S.	1,831	1,025	1,099	1,758
Vocal Music-MS	11,674	17,567	16,085	13,157
Yearbook M.S.	9,415	14,877	16,077	8,215
Mustang Valley Elementary	19,344	39,501	40,263	18,582
National Honor Society-H.S.	432	2,958	1,949	1,441
Media Creek	3,302	19,020	19,839	2,483
Athletics North MS	27,722	48,395	36,219	39,898
Band-North MS	5,686	29,621	30,111	5,196
Model United Nations H.S.	489	0	489	(0)
Total Activities	\$ 436,198	\$ 922,581	\$ 904,711	\$ 454,069

Mustang School District No.1-069, Canadian County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

ACTIVITIES	July 1, 2011	Additions	Deletions	June 30, 2012
North Middle School	\$ 25,403	\$ 32,849	\$ 32,288	\$ 25,964
Pom-Pon-H.S.	7,367	4,290	5,335	6,322
Pep Club-North M.S.	1,054	4	0	1,057
Science Club-North MS	3,985	2,335	1,142	5,179
Speech Club-North MS	390	1	340	51
Student Council-North	844	163	335	672
Vocal Music North MS	6,875	29,281	31,676	4,479
Yearbook-North MS	5,629	11,965	10,929	6,665
Jr. Class-H.S.	14,521	29,880	32,008	12,394
Science/Math-H.S.	603	4,026	3,785	845
Sr. Class-H.S.	42,040	42,322	30,840	53,521
Special Olympics	1,003	427	567	864
Drama Department/Club	9,302	9,010	8,933	9,378
Student Council-H.S.	2,204	17,913	15,822	4,295
Varsity Cheer H.S.	6,091	12,901	8,205	10,787
Vocal Music-H.S.	1,610	12,650	11,934	2,326
Scholarship Fund	518	1,204	0	1,722
D.E.C.A.-HS	2,957	16,677	15,875	3,759
Baseball H.S.	17,864	30,399	29,147	19,116
Sixth Grade North MS	346	1	0	347
Administration	2,851	5,639	8,200	290
Media-Valley	13,109	8,147	11,941	9,315
Counseling Activities	886	1,187	1,152	920
Trails Elementary	17,199	23,843	32,477	8,564
Girls Softball	2,334	6,609	5,009	3,933
Spanish Club	910	3,920	2,871	1,959
Media-Mustang Trails	1,432	1,467	2,221	678
M.E.A.D. Mustang Elementary	1,899	1,118	1,175	1,842
Drug Free Club-Trails	1,140	2,968	3,363	745
9th Varsity Football H.S.	1,986	8,134	8,858	1,262
Gifted and Talented	445	310	0	756
Transportation	1,754	858	775	1,837
Creek Choir	0	1,151	934	217
Boys-Girls Tennis H.S.	1,159	3	798	364
L.E. Drug Free Leaders	2,591	2,675	2,284	2,982
Boys/Girls Cross Country	1,527	3,100	2,400	2,227
Girls Soccer-H.S.	5,076	8,279	8,785	4,570
Chisholm Trails	522	6,172	3,973	2,720
Builder's Club-MS	1,131	1,106	840	1,397
Builder's Club-North MS	1,949	67	99	1,917
Debate Club-H.S.	554	2	0	556
Mustang Creek Elementary	5,937	25,683	21,564	10,056
Media-LE	1,078	14,246	13,982	1,342
Renaissance-MS	166	1,264	1,062	368
Reading-MS	11,917	4,580	12,750	3,747
Renaissance-North M.S.	1,356	656	760	1,252
Sub Total Activity Funds	\$ 231,512	\$ 391,482	\$ 387,434	\$ 235,560

Mustang School District No.1-069, Canadian County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

<u>ACTIVITIES</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Renaissance-H.S.	\$ 1,625	\$ 3,087	\$ 1,475	\$ 3,237
Special Life Skills-M.H.	1,101	4	0	1,105
Technology Student M.S.	49	0	0	49
Art Club-H.S.	713	5,236	3,852	2,097
Athletic Training-H.S.	8,184	9,838	8,993	9,029
Technology North MS	216	2,893	3,032	77
Spanish Club-MV	662	2	0	664
P.A.S.S.-MEC	2,530	9,114	9,746	1,897
Mid High School	19,064	20,234	39,298	0
Advanced Placement H.S.	10,504	19,373	18,970	10,908
Grounds Improvement	1,258	4	0	1,262
Wetlands Society-H.S.	427	0	427	0
FCCLA-M.H.	936	3,672	4,607	0
Outdoor Classroom-M.S.	3,432	11	0	3,443
Golf North MS	717	2	0	720
Student Council-M.H.	238	771	1,009	(0)
Spanish Club-M.H.	1,612	1,321	2,934	0
Media M.H.	2,994	696	3,691	0
Yearbook M.H.	1,271	10,017	10,572	716
Renaissance M.H.	1,574	507	2,081	0
Girls Basketball M.H.	39	0	39	0
Track/Cross Country-N	1,108	4	0	1,112
Creek/North Outdoor	1,418	1,006	1,834	590
Band-M.H.	49	0	49	(0)
Football-North MS.	653	1	405	249
5th Grade-LE	8,926	4,247	3,379	9,794
Pre-Kindergarten-MEC	13,003	19,710	22,567	10,145
Mustang Education Center	315	1,894	0	2,209
Special Education M.H.	445	1	0	447
Art Lakehoma	3,955	13	0	3,968
Musical H.S.	2,084	7	0	2,091
Wrestling-HS	347	1	345	2
JROTC-HS	380	1	0	381
HS Athletic Dept. Staff	6,654	2,717	5,931	3,440
Art Club-MH	621	8,454	9,074	0
Mustang Elementary Staff	1,961	1,685	1,402	2,243
Mustang Valley Staff	1,900	3,283	2,841	2,342
Mustang Lakehoma Staff	1,439	2,064	1,968	1,536
Mustang Trails Staff	4,072	5,846	5,329	4,590
Mustang Creek Staff	3,837	2,279	3,748	2,368
Mustang Middle School	4,147	3,132	2,105	5,175
MNMS Staff	472	1,389	1,660	201
Mid-High Staff	12,955	1,378	14,333	0
High School Staff	33,600	10,040	10,789	32,851
Education Center-Staff	1,771	1,506	1,874	1,403
Administration Staff	5,020	4,794	3,937	5,877
Sub Total Activity Funds	\$ 170,276	\$ 162,235	\$ 204,294	\$ 128,217

Mustang School District No.1-069, Canadian County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

ACTIVITIES	July 1, 2011	Additions	Deletions	June 30, 2012
High School Tech. Education	\$ 367	\$ 229	\$ 565	\$ 30
High School Boys Track	949	43	480	512
Mid-High Business Professionals	488	1,842	1,910	420
Mustang Creek Counselors	3,521	1,863	1,308	4,075
MPS Special Needs	44	0	0	44
Mustang Creek Art	3,815	7,711	7,100	4,426
ECO Club High School	539	569	522	586
Lakehoma Music	758	2	199	562
Mustang Trails Art	4,024	5,723	4,032	5,715
Mustang Trails Honor Club	1,603	771	1,262	1,112
Centennial Elementary	18,993	21,099	22,923	17,170
Trails Special Ed	699	101	364	436
Centennial Staff	4,125	466	3,639	952
Mustang Elem Art	2,095	12,255	12,234	2,116
Mustang Elementary Media	6,268	18,671	23,547	1,391
Trails Reading Carnival	134	1,507	1,556	85
Trails Student Council	2,040	51,738	29,948	23,830
M-H. Boys Basketball	745	2	747	0
Mustang Elementary Counseling	3,683	12	0	3,695
H.s.Spanish National Honor	410	454	758	106
H.S. Mac Choir	611	4,057	3,836	832
H.S. Video Club	2,495	3,857	5,294	1,059
H.S. Swim Team	97	0	0	97
Creek Archery Club	491	464	490	465
Archery Club-M.S.	46	3,450	1,569	1,927
Valley Student Council	0	3,125	2,404	721
Mustang Students in NE	0	1,008	0	1,008
Special Needs	0	11,979	11,479	500
Sub Total Activities	\$ 59,040	\$ 152,999	\$ 138,165	\$ 73,874
Total Activities	\$ 897,026	\$ 1,629,297	\$ 1,634,603	\$ 891,719

MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 69, CANADIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2011	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2012
U.S. Department of Education						
Direct Programs:						
Indian Education Title VII	84.060A	561	(91,389)	250,654	162,445	(3,181)
Passed Through Oklahoma State Department of Education:						
Title I, Basic	84.010	511	(1,919)	572,771	584,171	(13,320)
Title I Cluster			(1,919)	572,771	584,171	(13,320)
IDEA-B Project ECHO	84.027	615	0	409	409	0
IDEA-B Flowthrough	84.027	621	(52,385)	1,534,960	1,536,519	(53,944)
ARRA IDEA B, Flow Through	84.391A	622	(47,313)	67,418	20,105	0
IDEA-B Preschool	84.173	641	(3,749)	40,139	37,929	(1,540)
Special Education Cluster			(103,446)	1,642,925	1,594,963	(55,483)
Title II, Part A,	84.367	541	(28,078)	160,246	137,014	(4,845)
Title II, Part D	84.318	546	0	45	45	0
Title II, Part D	84.318	548	0	297	297	0
Title III, Emergency Immigrant	84.365	571	0	6,331	6,331	0
Title III, Part A	84.365	572	(119)	28,830	32,093	(3,381)
Passed through Oklahoma Department of Vocational Education						
Carl Perkins Supplemental Grant	84.048	421/424	0	40,683	40,683	0
Total U.S. Department of Education			(224,951)	2,702,782	2,558,041	(80,210)
U.S. Department of Human Services						
Passed through Department of Human Services:						
Rehabilitation Services (OJT) Federal	84.126	456	7,391	15,750	6,617	16,524
Total U.S. Department of Human Services			7,391	15,750	6,617	16,524
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Breakfast Program	10.553	764	0	247,341	247,341	0
Lunch Program	10.555	763	0	1,064,751	1,064,751	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	106,144	106,144	0
Child Nutrition Cluster			0	1,418,236	1,418,236	0
Total U.S. Department of Agriculture			0	1,418,236	1,418,236	0
TOTAL FEDERAL ASSISTANCE			(217,560)	4,136,769	3,982,895	(63,686)

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 \$106,144 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

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

	CFDA #	Program #	Federal Grant Receipts	Federal Grant Expenditures	Deferred ARRA Revenue (Accounts Rec)
ARRA Special Education	84.391A	622	67,418	20,105	0
			67,418	20,105	0



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
Mustang Independent School District #69
Canadian County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Mustang Independent School District #69**, Canadian 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 December 5, 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 **Mustang Independent School District #69**, Canadian 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.

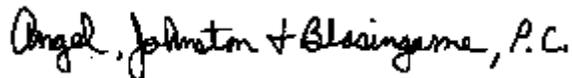
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2012-1.) 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.

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 responses to the findings identified in our audit are described on the attached Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education of **Mustang Independent School District #69**, 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
December 5, 2012



ANGEL,
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education
Mustang Independent School District #I-69
Canadian County, Oklahoma

Board Members:

Compliance

We have audited **Mustang Independent School District #I-69**, Canadian County, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, **Mustang Independent School District #I-69**, Canadian County, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

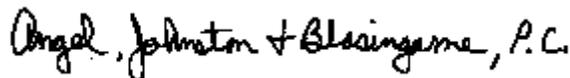
Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the board of education of **Mustang Independent School District #I-69**, management, others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Chickasha, Oklahoma
December 5, 2012

Mustang ISD No. 69, Canadian County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|--|
| 1. Type of auditor's report issued | Adverse
(Due to F/S being prepared on a regulatory basis of accounting) |
| 2. Internal control over financial reporting; | |
| a. Material weaknesses identified? | None Reported |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|--------------------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 84.027/84.391A/84.173 | Special Education Cluster |
| 84.010 | Title I, Cluster |
| 10.553/10.555 | Child Nutrition Cluster |
| 5. Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Mustang ISD No. 69, Canadian County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012
(Continued)

Section 2

Financial Statement Findings

2012-1- Finding

Statement of Condition - During payroll testing, we noted errors on 4 of the 46 employees tested, (8.7% error rate.) These errors were as follows:

- a) One employee was overpaid \$25 per pay period for a total of \$300.00. This appears to have been an input error.
- b) The district could not locate documentation for \$531.22 paid to a terminated employee. It may have been a duplicate payment for unused vacation/sickleave (although the amounts were not exactly the same.)
- c) One employee was paid for 75.25 hours, but timesheets totaled 76.25 hours (\$9.00 underpayment). This appears to be due to an addition error.
- d) One employee was overpaid for overtime but the same employee was not paid for 4 hours. The net result was a \$43.86 overpayment.

Criteria - All payments to employees should be documented by a signed contract or time sheet. Hours in excess of 40 during a week period, should be paid at time and a half to all non exempt employees.

Cause/Effect of Condition - The District had turnover in the payroll area during the 2011-12 fiscal year, which appears to have contributed to some of the errors in payroll.

Recommendation - Payroll calculations should be reviewed for accuracy prior to payments being issued to employees.

Section 3

Federal Award Findings and Questioned Costs

(None reported)

Mustang ISD No. 69, Canadian County
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012

There were no fiscal year 2010-11 findings for Mustang ISD No. 69, Canadian County, Oklahoma.

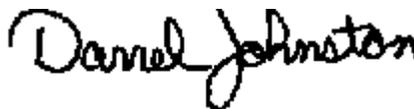
OTHER INFORMATION

Mustang ISD No. 69, Canadian 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 *Mustang Independent School District* 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 11-12-16

SCHOOL'S CORRECTIVE ACTION PLAN

Mustang Public Schools
09-I069
Audit Findings
Corrective Action Plan

Audit Year 2011-2012

Audit findings reference number 2012 - 1 (a)

Description of Finding: During the payroll testing it was noted that one employee (Amy Feuerborn) was overpaid \$25 per pay period for a total of \$300.00. It appears that a 5 and a 2 were transposed when being entered into the payroll system. Gross should have been \$16,273.50 and was entered as \$16,573.50

Contact Person: Payroll Specialist - Terra Collier
Payroll Specialist - Lynda Martin
Chief Financial Officer - Deanna Mowrey

Steps Implemented:

This error should have been caught in the verification process of comparing the payroll authorization to the list personnel provides of new salaries for the year. It could also have been caught in verifying the personnel report, which is exported from payroll, against the personnel system. This is a very large process every year and takes a great deal of time to verify all employees. Making sure that enough trained staff is available for verifying all changes should reduce this kind of error in the future.

Completion Date: On October 8, 2012, the Board of Education approved a third position in the personnel department. Eventually there will need to be an additional payroll position to keep up with the demands of all the school districts employees. Once training is completed and staff has been consistent these errors should not occur. Estimated completion with staff changes should be by August 2013.

Mustang Public Schools
09-I069
Audit Findings
Corrective Action Plan

Audit Year 2011-2012

Audit findings reference number 2012-1 (b)

Description of Finding: During the payroll testing it was noted that one employee (Blake Dworshak) appeared to have received a leave payoff upon leaving the district in November 2011 and again in December 2011 therefore being overpaid \$542.42. The leave records confirm the payoff should have been \$531.22 which was the amount paid in December 2011. The \$542.42 paid in November was more than likely an estimate with a note, Do Not Pay until all leave is entered. This was probably paid by one payroll specialist and the other picked up the correct amount in December.

Contact Person: Payroll Specialist - Terra Collier
Payroll Specialist - Lynda Martin
Chief Financial Officer - Deanna Mowrey

Steps Implemented:

Even when duplicate information is received, no payoff of an employee should ever occur without running an earnings audit and tying it back to personnel. Verifying in the personnel system what was actually noted as being paid vacation or paid leave. This would have prevented the overpayment.

Completion Date:

Copies of steps to be implemented were distributed to payroll on 10-12-12. These types of mistakes usually occur when payroll is pressing to complete their process. This is another example of not having enough staff. This was during a time when one payroll specialist took one month of leave off.

Mustang Public Schools
09-I069
Audit Findings
Corrective Action Plan

Audit Year 2011-2012

Audit findings reference number 2012-1 (c)

Description of Finding: During the payroll testing it was noted that one employee (Terra Collier) was overpaid \$43.86 in February 2012. This was due to the other payroll specialist entering the incorrect number of hours for straight time and overtime, plus 4 straight time hours were missed altogether. Payroll specialists never enter their own time as an internal control.

Contact Person: Payroll Specialist - Terra Collier
Payroll Specialist - Lynda Martin
Chief Financial Officer - Deanna Mowrey

Steps Implemented:

Although payroll employees do not enter their own time they should be verifying like they would anyone else. However, this goes back to time and staff allowing for this process. Additional pay is always handled on the "special" payroll and some months that may only provide the payroll staff with 3 or 4 days especially if the end of the month falls on a Friday. Verification is always the goal and expectation and will be discussed again. But, in reality this cannot always happen with the staff we have.

Completion Date:

Each and every month is a completion date always striving for cross checks in verifying the data. This continues as a goal of payroll but as the school continues to grow this area is going to be desperately in need of another payroll specialist.

Mustang Public Schools
09-I069
Audit Findings
Corrective Action Plan

Audit Year 2011-2012

Audit findings reference number 2012-1 (d)

Description of Finding: During the payroll testing it was noted that one employee (Angela D White) was incorrectly paid for 75.25 hours when she should have been paid for 76.25 hours on January 10, 2012. This was an underpayment of 1 hour at \$9/hour.

Contact Person: Payroll Specialist - Terra Collier
Payroll Specialist - Lynda Martin
Chief Financial Officer - Deanna Mowrey

Steps Implemented:

This was a keying error and should have been caught in the verification of entering the time through the payroll authorization against the actual document. Ms. White will be paid in the current year of 2012-2013 for one hour at \$9/hr.

Completion Date:

This payment to the employee will occur no later than December 31, 2012 in order to keep all of the taxes correct on what should have been paid.