

**MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 69**  
**CANADIAN COUNTY, OKLAHOMA**  
**JUNE 30, 2013**

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CANADIAN COUNTY, OKLAHOMA  
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**MUSTANG INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013**

**BOARD OF EDUCATION**

President	Chad Fulton
Vice President	Jim Davis
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**SCHOOL DISTRICT TREASURER**

Deanna Mowrey

**ENCUMBRANCE CLERK**

Stacy Brown



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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:

### Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Mustang Independent School District #69**, Canadian County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by **Mustang Independent School District #69** Canadian County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance 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, 2013, or the changes in its financial position, for the year then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” 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, 2013, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Mustang Independent School District #69, Canadian County, Oklahoma’s** combined financial statements. The combining financial 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 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.

The combining financial 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of the **Mustang Independent School District, #69, Canadian County, Oklahoma'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 Standard* in considering **Mustang Independent School District, #69, Canadian County, Oklahoma's** internal control over financial reporting and compliance.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma

January 8, 2014

COMBINED FINANCIAL STATEMENTS

**Mustang School District No.1-069, Canadian County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2013**

	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, 2013
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 10,806,123	\$ 2,093,218	\$ 5,471,019	\$ 11,539,978	\$ 1,030,224	\$ 0	\$ 30,940,562
Investments	485,000	245,000	485,000	0	0	0	1,215,000
Amounts Available in Debt Service Fund	0	0	0	0	0	5,956,019	5,956,019
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	27,213,981	27,213,981
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	17,817,378	17,817,378
Amounts to be Provided For Compensated Absences	0	0	0	0	0	1,986,760	1,986,760
<b>Total Assets</b>	<b>\$ 11,291,123</b>	<b>\$ 2,338,218</b>	<b>\$ 5,956,019</b>	<b>\$ 11,539,978</b>	<b>\$ 1,030,224</b>	<b>\$ 52,974,138</b>	<b>\$ 85,129,700</b>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Warrants Payable	\$ 6,291,107	\$ 356,309	\$ 0	\$ 592,545	\$ 0	\$ 0	\$ 7,239,961
Reserve for Encumbrances	426,154	293,268	0	0	0	0	719,422
Due to Activity Groups	0	0	0	0	1,030,224	0	1,030,224
General Obligation Bonds Payable	0	0	0	0	0	33,170,000	33,170,000
Capitalized Lease Obligations Payable	0	0	0	0	0	17,817,378	17,817,378
Compensated Absences Payable	0	0	0	0	0	1,986,760	1,986,760
<b>Total Liabilities</b>	<b>\$ 6,717,261</b>	<b>\$ 649,577</b>	<b>\$ 0</b>	<b>\$ 592,545</b>	<b>\$ 1,030,224</b>	<b>\$ 52,974,138</b>	<b>\$ 61,963,745</b>
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 5,956,019	\$ 0	\$ 0	\$ 0	\$ 5,956,019
Capital Projects	0	0	0	10,947,433	0	0	10,947,433
Building Programs	0	1,095,615	0	0	0	0	1,095,615
Child Nutrition Programs	0	593,027	0	0	0	0	593,027
MAPS Programs	0	0	0	0	0	0	0
Unassigned	4,573,862	0	0	0	0	0	4,573,862
<b>Total Fund Balances</b>	<b>\$ 4,573,862</b>	<b>\$ 1,688,642</b>	<b>\$ 5,956,019</b>	<b>\$ 10,947,433</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,165,956</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,291,123</b>	<b>\$ 2,338,218</b>	<b>\$ 5,956,019</b>	<b>\$ 11,539,978</b>	<b>\$ 1,030,224</b>	<b>\$ 52,974,138</b>	<b>\$ 85,129,700</b>

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, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
<b>Revenue Collected:</b>					
Local Sources	\$ 13,590,043	\$ 4,494,315	\$ 8,718,755	\$ 16,613	\$ 26,819,726
Intermediate Sources	2,030,185	0	0	0	2,030,185
State Sources	33,328,349	274,926	0	0	33,603,275
Federal Sources	1,886,643	1,465,033	0	0	3,351,676
Non-Revenue Receipts	3,707	6,099	68,964	0	78,770
<i>Total Revenue Collected</i>	<u>\$ 50,838,927</u>	<u>\$ 6,240,373</u>	<u>\$ 8,787,719</u>	<u>\$ 16,613</u>	<u>\$ 65,883,631</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 34,230,488	\$ 0	\$ 0	\$ 168,842	\$ 34,399,330
Support Services	19,420,779	2,134,849	0	1,680,836	23,236,464
Operation of Non-Instructional Services	184	3,796,157	0	0	3,796,340
Facilities Acquisition and Construction	42,629	535,432	0	9,673,117	10,251,178
Other Outlays	11,668	6,099	0	0	17,768
Other Uses	0	0	0	0	0
Repayments	116	5,841	0	0	5,957
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	6,795,000	0	6,795,000
Interest and Fiscal Agent Fees	0	0	533,660	0	533,660
<i>Total Expenditures Paid</i>	<u>\$ 53,705,864</u>	<u>\$ 6,478,378</u>	<u>\$ 7,328,660</u>	<u>\$ 11,522,795</u>	<u>\$ 79,035,698</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (2,866,938)</u>	<u>\$ (238,006)</u>	<u>\$ 1,459,059</u>	<u>\$ (11,506,182)</u>	<u>\$ (13,152,066)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 144,532</u>	<u>\$ 59,707</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 204,239</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 1,966	\$ 821	\$ 0	\$ 0	\$ 2,788
Bond Proceeds	0	0	0	8,210,000	8,210,000
Transfers In	48,032	1,190	0	0	49,222
Transfers Out	(2,279)	(5,817)	0	0	(8,096)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 47,719</u>	<u>\$ (3,806)</u>	<u>\$ 0</u>	<u>\$ 8,210,000</u>	<u>\$ 8,253,913</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (2,674,687)</u>	<u>\$ (182,104)</u>	<u>\$ 1,459,059</u>	<u>\$ (3,296,182)</u>	<u>\$ (4,693,914)</u>
<i>Fund Balance - Beginning 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>
<i>Fund Balance - End of Year</i>	<u>\$ 4,573,862</u>	<u>\$ 1,688,642</u>	<u>\$ 5,956,019</u>	<u>\$ 10,947,433</u>	<u>\$ 23,165,956</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, 2013**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 12,060,696	\$ 12,060,696	\$ 13,590,043	\$ 4,782,097	\$ 4,782,097	\$ 4,494,315	\$ 8,242,444	\$ 8,242,444	\$ 8,718,755
Intermediate Sources	1,621,500	1,621,500	2,030,185	0	0	0	0	0	0
State Sources	32,118,396	32,118,396	33,328,349	274,000	274,000	274,926	0	0	0
Federal Sources	2,722,298	2,722,298	1,886,643	1,181,000	1,181,000	1,465,033	0	0	0
Non-Revenue Receipts	0	0	3,707	0	0	6,099	0	0	68,964
<i>Total Revenue Collected</i>	<u>\$ 48,522,890</u>	<u>\$ 48,522,890</u>	<u>\$ 50,838,927</u>	<u>\$ 6,237,097</u>	<u>\$ 6,237,097</u>	<u>\$ 6,240,373</u>	<u>\$ 8,242,444</u>	<u>\$ 8,242,444</u>	<u>\$ 8,787,719</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 55,771,438	\$ 55,771,438	\$ 34,230,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	19,420,779	2,912,881	2,912,881	2,134,849	0	0	0
Operation of Non-Instructional Services	0	0	184	4,112,392	4,112,392	3,796,157	0	0	0
Facilities Acquisition and Construction	0	0	42,629	1,082,570	1,082,570	535,432	0	0	0
Other Outlays	0	0	11,668	0	0	6,099	12,739,404	12,739,404	7,328,660
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	116	0	0	5,841	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>\$ 55,771,438</u>	<u>\$ 55,771,438</u>	<u>\$ 53,705,864</u>	<u>\$ 8,107,843</u>	<u>\$ 8,107,843</u>	<u>\$ 6,478,378</u>	<u>\$ 12,739,404</u>	<u>\$ 12,739,404</u>	<u>\$ 7,328,660</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (7,248,549)</u>	<u>\$ (7,248,549)</u>	<u>\$ (2,866,938)</u>	<u>\$ (1,870,746)</u>	<u>\$ (1,870,746)</u>	<u>\$ (238,006)</u>	<u>\$ (4,496,960)</u>	<u>\$ (4,496,960)</u>	<u>\$ 1,459,059</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 144,532</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,707</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 1,966	\$ 0	\$ 0	\$ 821	\$ 0	\$ 0	\$ 0
Transfers In	0	0	48,032	0	0	1,190	0	0	0
Transfers Out	0	0	(2,279)	0	0	(5,817)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,719</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,806)</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>\$ (7,248,549)</u>	<u>\$ (7,248,549)</u>	<u>\$ (2,674,687)</u>	<u>\$ (1,870,746)</u>	<u>\$ (1,870,746)</u>	<u>\$ (182,104)</u>	<u>\$ (4,496,960)</u>	<u>\$ (4,496,960)</u>	<u>\$ 1,459,059</u>
<i>Fund Balance - Beginning of Year</i>	<u>7,248,549</u>	<u>7,248,549</u>	<u>7,248,549</u>	<u>1,870,746</u>	<u>1,870,746</u>	<u>1,870,746</u>	<u>4,496,960</u>	<u>4,496,960</u>	<u>4,496,960</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,573,862</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 1,688,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,956,019</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, 2013**

**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, 2013**

**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, 2013**

**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, 2013**

**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, 2013**

**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, 2013, 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 - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund ) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

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

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

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**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 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.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2013:

			Carrying Value
Deposits			
Demand Deposits	\$		30,962,834
Time Deposits			1,215,000
Total Deposits	\$		32,177,834
Investments			
	Credit Rating	Maturity	Fair Value
			\$ 0
Total Investments			\$ 0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents			\$ 32,155,562
Activity Fund Outstanding Checks			22,272
Total Deposits and Investments			\$ 32,177,834

**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.

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, 2013, 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.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 2 – Deposit and Investment Risk, (continued)**

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, 2013, 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.

**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, 2013, the District had no concentration of credit risk as defined above.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**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, 2013:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	31,755,000	26,820,000	1,862,058	60,437,058
Additions	8,210,000	333,751	124,702	8,668,453
Retirements	-6,795,000	-9,336,373	0	-16,131,373
Balance, June 30, 2013	33,170,000	17,817,378	1,986,760	52,974,138

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2013 Combined Purpose Bond	1.00%	June 1, 2018	\$ 8,210,000	\$ 8,210,000
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	5,120,000
2009 Combined Purpose	2.0 to 2.50%	June 1, 2014	4,430,000	1,130,000
2010 Combined Purpose	1.45 to 2.00%	June 1, 2015	12,120,000	6,060,000
<b>Totals</b>			<b>\$ 44,235,000</b>	<b>\$ 33,170,000</b>

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**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:

		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2013 Combined Purpose Bonds</b>				
2013-14	\$	-	\$ 82,100	\$ 82,100
2014-15		2,050,000	82,100	2,132,100
2015-16		2,050,000	61,600	2,111,600
2016-17		2,050,000	41,100	2,091,100
2017-18		2,060,000	20,600	2,080,600
<b>Sub Total</b>	<b>\$</b>	<b>8,210,000</b>	<b>\$ 287,500</b>	<b>\$ 8,497,500</b>
<b>2012 Combined Purpose Bonds-(2012 Authority)</b>				
2013-14	\$	1,225,000	\$ 12,250	\$ 1,237,250
<b>Sub Total</b>	<b>\$</b>	<b>1,225,000</b>	<b>\$ 12,250</b>	<b>\$ 1,237,250</b>
<b>2012 Combined Purpose Bonds-(2009 Authority)</b>				
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
<b>Sub Total</b>	<b>\$</b>	<b>11,425,000</b>	<b>\$ 464,338</b>	<b>\$ 11,889,338</b>
<b>2011 Combined Purpose Bonds</b>				
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
<b>Sub Total</b>	<b>\$</b>	<b>5,120,000</b>	<b>\$ 162,245</b>	<b>\$ 5,282,245</b>
<b>2009 Combined Purpose Bonds</b>				
2013-2014	\$	1,130,000	\$ 28,250	\$ 1,158,250
<b>Sub Total</b>	<b>\$</b>	<b>1,130,000</b>	<b>\$ 28,250</b>	<b>\$ 1,158,250</b>
<b>2010 Combined Purpose Bonds</b>				
2013-2014	\$	3,030,000	\$ 113,625	\$ 3,143,625
2014-2015		3,030,000	60,600	3,090,600
<b>Sub Total</b>	<b>\$</b>	<b>6,060,000</b>	<b>\$ 174,225</b>	<b>\$ 6,234,225</b>
<b>Total Bonds</b>	<b>\$</b>	<b>33,170,000</b>	<b>\$ 1,128,808</b>	<b>\$ 34,298,808</b>

Interest expense on bonds payable during the current year totaled \$533,660.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**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.

	Year Ending June 30	Copiers	Building Construction	Total
	2014	\$ 103,806	3,925,000	\$ 4,028,806
	2015	103,806	5,280,000	5,383,806
	2016	103,806	8,330,000	8,433,806
	2017	25,952	0	25,952
	Total	4 337,370	\$ 17,535,000	\$ 17,872,370
Less: Amounts Representing Interest		-54,992	0	-54,992
Present Value of Future Minimum Lease Payments		\$ 282,378	\$ 17,535,000	\$ 17,817,378

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:

**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, 2013 is \$1,986,760.

**Prepaid Judgments**

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 one year 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 one year left to be levied for \$277.22.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**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 (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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. PERS provides retirement, disability and death benefits to plan members and beneficiaries. 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 a publicly available financial report that includes 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.

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2013. 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, 2013, 2012, and 2011 were \$2,920,864, \$3,149,486, and \$2,905,753 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$30,478,948; the District's total compensation was \$42,652,084. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$92,228). There were \$1,762,880 contributions made by employees during the year ended June 30, 2013.

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, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</u>

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

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 4 - Employee Retirement System, (continued)**

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. 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; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$223,479,688; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

**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.

**Mustang ISD No. 69, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 8 – 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, 2012 to June 30, 2013 and covers the following penal sums:

Finance Manager	\$1,000,000
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 Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2013**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>MAPS Fund</u></b>	<b><u>Total June 30, 2013</u></b>
Cash and Cash Equivalents	\$ 1,186,526	\$ 906,692	\$ 0	\$ 2,093,218
Investments	<u>245,000</u>	<u>0</u>	<u>0</u>	<u>245,000</u>
<i>Total Assets</i>	<u>\$ 1,431,526</u>	<u>\$ 906,692</u>	<u>\$ 0</u>	<u>\$ 2,338,218</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 139,809	\$ 216,500	\$ 0	\$ 356,309
Reserve for Encumbrances	<u>196,103</u>	<u>97,165</u>	<u>0</u>	<u>293,268</u>
<i>Total Liabilities</i>	<u>\$ 335,911</u>	<u>\$ 313,665</u>	<u>\$ 0</u>	<u>\$ 649,577</u>
Fund Balances:				
Restricted	<u>\$ 1,095,615</u>	<u>\$ 593,027</u>	<u>\$ 0</u>	<u>\$ 1,688,642</u>
<i>Total Fund Balances</i>	<u>\$ 1,095,615</u>	<u>\$ 593,027</u>	<u>\$ 0</u>	<u>\$ 1,688,642</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,431,526</u>	<u>\$ 906,692</u>	<u>\$ 0</u>	<u>\$ 2,338,218</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, 2013**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>MAPS Fund</b>	<b>Total June 30, 2013</b>
<b>Revenue Collected:</b>				
Local Sources	\$ 2,148,501	\$ 2,116,527	\$ 229,287	\$ 4,494,315
Intermediate Sources	0	0	0	0
State Sources	0	274,926	0	274,926
Federal Sources	0	1,465,033	0	1,465,033
Non-Revenue Receipts	0	6,099	0	6,099
	<u>\$ 2,148,501</u>	<u>\$ 3,862,584</u>	<u>\$ 229,287</u>	<u>\$ 6,240,373</u>
 <i>Total Revenue Collected</i>				
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	2,134,849	0	0	2,134,849
Operation of Non-Instructional Services	0	3,796,157	0	3,796,157
Facilities Acquisition and Construction	3,800	0	531,632	535,432
Other Outlays	0	6,099	0	6,099
Other Uses	0	0	0	0
Repayments	0	0	5,841	5,841
Interest Paid and Bank Charges	0	0	0	0
	<u>\$ 2,138,649</u>	<u>\$ 3,802,256</u>	<u>\$ 537,473</u>	<u>\$ 6,478,378</u>
 <i>Total Expenditures Paid</i>				
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>				
	<u>\$ 9,851</u>	<u>\$ 60,328</u>	<u>\$ (308,186)</u>	<u>\$ (238,006)</u>
 <b>Adjustments to Prior Year Encumbrances</b>				
	<u>\$ 41,595</u>	<u>\$ 18,112</u>	<u>\$ 0</u>	<u>\$ 59,707</u>
 <b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 821	\$ 0	\$ 821
Transfers In	0	1,190	0	1,190
Transfers Out	0	(5,817)	0	(5,817)
	<u>\$ 0</u>	<u>\$ (3,806)</u>	<u>\$ 0</u>	<u>\$ (3,806)</u>
 <i>Total Other Financing Sources (Uses)</i>				
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>				
	<u>\$ 51,447</u>	<u>\$ 74,635</u>	<u>\$ (308,186)</u>	<u>\$ (182,104)</u>
 <i>Fund Balance - Beginning of Year</i>				
	<u>1,044,169</u>	<u>518,392</u>	<u>308,186</u>	<u>1,870,746</u>
 <i>Fund Balance - End of Year</i>				
	<u>\$ 1,095,615</u>	<u>\$ 593,027</u>	<u>\$ 0</u>	<u>\$ 1,688,642</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, 2013

	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
<b>Revenue Collected:</b>												
Local Sources	\$ 1,720,998	\$ 1,720,998	\$ 2,148,501	\$ 922,099	\$ 922,099	\$ 229,287	\$ 2,139,000	\$ 2,139,000	\$ 2,116,527	\$ 4,782,097	\$ 4,782,097	\$ 4,494,315
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	274,000	274,000	274,926	274,000	274,000	274,926
Federal Sources	0	0	0	0	0	0	1,181,000	1,181,000	1,465,033	1,181,000	1,181,000	1,465,033
Non-Revenue Receipts	0	0	0	0	0	0	0	0	6,099	0	0	6,099
<i>Total Revenue Collected</i>	<u>\$ 1,720,998</u>	<u>\$ 1,720,998</u>	<u>\$ 2,148,501</u>	<u>\$ 922,099</u>	<u>\$ 922,099</u>	<u>\$ 229,287</u>	<u>\$ 3,594,000</u>	<u>\$ 3,594,000</u>	<u>\$ 3,862,584</u>	<u>\$ 6,237,097</u>	<u>\$ 6,237,097</u>	<u>\$ 6,240,373</u>
<b>Expenditures Paid:</b>												
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	2,765,166	2,765,166	2,134,849	147,714	147,714	0	0	0	0	2,912,881	2,912,881	2,134,849
Operation of Non-Instructional Services	0	0	0	0	0	0	4,112,392	4,112,392	3,796,157	4,112,392	4,112,392	3,796,157
Facilities Acquisition and Construction	0	0	3,800	1,082,570	1,082,570	531,632	0	0	0	1,082,570	1,082,570	535,432
Other Outlays	0	0	0	0	0	0	0	0	6,099	0	0	6,099
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	5,841	0	0	0	0	0	5,841
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,765,166</u>	<u>\$ 2,765,166</u>	<u>\$ 2,138,649</u>	<u>\$ 1,230,284</u>	<u>\$ 1,230,284</u>	<u>\$ 537,473</u>	<u>\$ 4,112,392</u>	<u>\$ 4,112,392</u>	<u>\$ 3,802,256</u>	<u>\$ 8,107,843</u>	<u>\$ 8,107,843</u>	<u>\$ 6,478,378</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to</i>												
<i>Prior Year Encumbrances</i>	\$ (1,044,169)	\$ (1,044,169)	\$ 9,851	\$ (308,186)	\$ (308,186)	\$ (308,186)	\$ (518,392)	\$ (518,392)	\$ 60,328	\$ (1,870,746)	\$ (1,870,746)	\$ (238,006)
<b>Adjustments to Prior Year Encumbrances</b>	\$ 0	\$ 0	\$ 41,595	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,112	\$ 0	\$ 0	\$ 59,707
<b>Other Financing Sources (Uses):</b>												
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 821	\$ 0	\$ 0	\$ 821
Transfers In	0	0	0	0	0	0	0	0	1,190	0	0	1,190
Transfers Out	0	0	0	0	0	0	0	0	(5,817)	0	0	(5,817)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,806)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,806)</u>				
<i>Excess (Deficiency) of Revenue Collected</i>												
<i>Over Expenditures Paid and Other Financing</i>												
<i>Sources (Uses)</i>	\$ (1,044,169)	\$ (1,044,169)	\$ 51,447	\$ (308,186)	\$ (308,186)	\$ (308,186)	\$ (518,392)	\$ (518,392)	\$ 74,635	\$ (1,870,746)	\$ (1,870,746)	\$ (182,104)
<i>Fund Balance - Beginning of Year</i>	1,044,169	1,044,169	1,044,169	308,186	308,186	308,186	518,392	518,392	518,392	1,870,746	1,870,746	1,870,746
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 1,095,615</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 593,027</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 1,688,642</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, 2013**

<b><u>ASSETS</u></b>	<b>School Activity Fund</b>
Cash	\$ 1,030,224
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 1,030,224</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>0</u>
<i>Total Liabilities</i>	<u>\$ 1,030,224</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 1,030,224</u>

**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, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Industrial Arts	\$ 560	\$ 1,201	\$ 1,219	\$ 542
Annual-H.S.	8,229	35,966	24,990	19,205
High School Athletics	70,589	158,387	151,610	77,366
Band- H.S.	19,413	94,844	81,200	33,056
Boys Basketball-H.S.	9,934	30,679	22,968	17,645
Boys Soccer H.S.	9,527	17,427	10,820	16,134
Centennial Media	0	9,254	5,002	4,252
D.A.R.E.	310	401	264	447
Mustang Elementary	17,775	20,303	32,607	5,471
Enrichment Organization	7,668	25	0	7,693
Art- Mustang Valley	5,360	1,821	157	7,025
FFA-H.S.	21,059	72,617	69,470	24,206
FCCLA-H.S.	2,072	4,396	5,159	1,309
French Club-H.S.	15	3,354	2,001	1,369
Freshman Cheer H.S.	2,375	3	1,903	475
High School General	45,163	143,535	127,754	60,944
Girls Basketball-H.S.	2,063	8,003	3,592	6,473
Girls Track-H.S.	1,969	86	570	1,486
Girls Volleyball-H.S.	740	4,197	3,765	1,172
Golf-H.S.	543	2	0	545
Lakehoma Elementary	29,315	28,115	27,343	30,087
Centennial Art	0	119	57	62
Media-HS	4,573	3,150	2,759	4,964
Media-MS	3,296	2,690	4,941	1,045
Media-North MS	12,260	17,592	18,113	11,738
Key Club HS	807	2,420	2,398	829
Athletics-MS	62,639	54,517	56,539	60,617
Band - MS	8,348	22,592	24,793	6,148
Cheer - MS	785	2,703	1,960	1,528
FCA-MS	2,507	330	376	2,461
South Middle School	12,079	26,580	24,152	14,507
Skills for Living - MS	477	1	83	395
Pep Club -MS	777	3	0	780
Science Club - MS	16	46	0	62
Cheer - North MS	94	0	0	95
Student Council	1,758	2,578	2,853	1,483
Vocal Music-MS	13,157	15,695	15,630	13,221
Yearbook - MS	8,215	15,598	14,611	9,202
Mustang Valley Elementary	18,582	64,169	60,179	22,573
Naitonal Honor Society-HS	1,441	2,037	2,147	1,331
Media - Creek	2,483	17,122	17,763	1,842
Athletics-North MS	39,898	42,402	44,340	37,960
Band-North MS	5,196	54,663	51,258	8,602
North Middle School	25,964	40,468	41,495	24,937
Pom-Pon-HS	6,322	1,896	5,163	3,056
PepClub-North MS	1,057	4	0	1,061
Sub Total	\$ 487,413	\$ 1,023,989	\$ 964,003	\$ 547,399

**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, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Science Club-North MS	\$ 5,179	\$ 17	\$ 116	\$ 5,080
Speech Club - North MS	51	0	0	51
Student Council	672	134	167	640
Vocal Music-North MS	4,479	20,697	23,946	1,231
Yearbook-North MS	6,665	12,027	10,455	8,237
JR. Class-HS	12,394	33,615	28,097	17,912
Science/Math - H.S.	845	5,235	5,498	581
Sr. Class - HS	53,521	37,400	34,505	56,417
Special Olympics	864	516	198	1,182
Drama Department/Club	9,378	8,860	8,233	10,005
Student Council -HS	4,295	23,065	26,429	931
Varsity Cheer- HS	10,787	24,293	23,389	11,691
Vocal Music - HS	2,326	12,163	10,649	3,839
Scholarship Fund	1,722	1,029	1,000	1,751
D.E.C.A. - H.S.	3,759	21,255	22,915	2,099
Baseball - H.S.	19,116	22,409	16,955	24,570
Sixth Grade - North M.S.	347	611	71	888
Administration	290	10,834	2,329	8,795
Media-Valley	9,315	6,942	2,996	13,261
Counseling Activities	920	1,003	1,295	628
Trails Elementary	8,564	22,848	16,686	14,726
Girls Softball -H.S.	3,933	2,967	5,828	1,072
Spanish Club-H.S.	1,959	4,862	6,182	639
Media - Mustang Trails	678	1,439	1,188	929
M.E.A.D. - Mustang Elementary	1,842	915	882	1,875
Drug Free Club - Trails	745	2,546	2,086	1,205
9th-Varsity Football H	1,262	24,535	6,249	19,548
Gifted and Talented	756	352	0	1,107
Transportation	1,837	769	602	2,004
Creek Choir	217	946	791	372
Boys-Girls Tennis H.S.	364	736	0	1,100
L.E. Drug Free Leaders	2,982	868	1,295	2,554
Boys/Girls Cross Country	2,227	3,813	4,055	1,985
Girls Soccer - H.S.	4,570	10,946	10,776	4,740
Chisholm Trails	2,720	1,955	2,947	1,729
Builder's Club - MS	1,397	8	1,112	293
Builder's Club-North	1,917	222	0	2,139
Debate Club-HS	556	2	0	558
Mustang Creek Elementary	10,056	22,054	24,872	7,237
Media-LE	1,342	14,032	13,782	1,593
Renaissance-MS	368	1,342	623	1,087
Reading - MS	3,747	5,014	2,083	6,678
Renaissance-North MS	1,252	1,155	1,005	1,402
Renaissance-HS	3,237	3,116	780	5,573
Special Life Skills-MS	1,105	756	431	1,430
<b>Sub Total</b>	<b>\$ 206,557</b>	<b>\$ 370,303</b>	<b>\$ 323,497</b>	<b>\$ 253,362</b>

**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, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Technology Student -MS	\$ 49	\$ 0	\$ 0	\$ 49
Academic Team - HS	0	1	0	1
Art Club	2,097	6,232	7,484	846
Athletic Training	9,029	7,791	7,834	8,986
Technology - North MS	77	432	65	444
Spanish Club	664	2	0	666
P.A.S.S. - MEC	1,897	6,674	7,906	666
Advanced Placement	10,908	20,752	20,762	10,897
Grounds Improvement	1,262	4	0	1,266
HS Freshman F.C.C.L.A.	0	3,590	1,714	1,876
Outdoor Classroom-M	3,443	436	1,115	2,764
Golf - North MS	720	2	0	722
Canyon Ridge Int Vocal	716	0	716	0
Track/Cross Country-N	1,112	4	0	1,116
Creek/North Outdoor	590	2	268	323
Football - North MS	249	1	0	250
5th Grade - LE	9,794	4,270	11,877	2,187
Pre-Kindergarten-MEC	10,145	18,379	18,169	10,355
Mustang Education Center	2,209	32	420	1,822
Special Education - M-H	447	1	88	360
Art - Lakehoma	3,968	13	0	3,981
Musical - HS	2,091	7,834	4,198	5,726
Wrestling - HS	2	0	0	2
JROTC-HS	381	1,044	0	1,425
HS Athletic Dept. Staff	3,440	22,545	17,531	8,454
Mustang Elementary Staff	2,243	3,941	2,523	3,661
Mustang Valley Staff	2,342	2,898	2,905	2,335
Mustang Lakehoma Staff	1,536	1,684	1,272	1,948
Mustang Trails Staff	4,590	9,455	10,368	3,676
Mustang Creek Staff	2,368	3,883	4,146	2,105
Mustang Middle School	5,175	5,845	797	10,222
MNMS Staff	201	1,646	637	1,210
High School Staff	32,851	10,460	13,979	29,332
Education Center Staff	1,403	1,909	1,864	1,448
Administration Staff	5,877	36,819	4,610	38,086
High School Tech Education	30	2,274	1,686	618
High School Boys Track	512	2	0	514
HS-Business Prof of A	420	4,376	3,754	1,042
Mustang Creek Counsel	4,075	915	1,514	3,476
MPS Special Needs	44	0	0	44
Mustang Creek Art	4,426	3,578	3,535	4,469
ECO Club Highschool	586	568	898	255
Lakehoma Music	562	2	0	564
Mustang Trails Art	5,715	2,910	2,524	6,101
Mustang Trails Honor	1,112	633	1,635	110
Centennial Elementary	17,170	68,902	66,852	19,221
Sub Total	\$ 158,529	\$ 262,741	\$ 225,648	\$ 195,621

Exhibit A-7

**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, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Trails Special Education	\$ 436	\$ 1	\$ 0	\$ 438
Centennial Staff	952	2,746	2,563	1,135
Mustang Elementary	2,116	14,241	12,563	3,794
Mustang Elementary Media	1,391	20,796	16,813	5,374
Trails Reading Carnival	85	1,161	1,172	74
Trails Student Council	23,830	19,151	34,476	8,505
Mustang Trails PE Activity	0	2,089	645	1,444
ME Counsel Closed	3,695	1	3,696	0
H.S. Spanish Nat'l Honor	106	860	584	382
H.S. MAC Choir	832	3,456	3,469	819
H.S. Video Club	1,059	10,393	9,170	2,282
H.S. Swim Team	97	5,528	5,625	0
Creek Archery Club	465	497	568	394
Archery Club-MS	1,927	7,284	4,307	4,904
Valley Student Council	721	3,031	2,461	1,291
Mustang Students in NE	1,008	1,551	53	2,506
Special Needs	0	6,123	5,623	500
Sub Total	<u>\$ 38,721</u>	<u>\$ 98,911</u>	<u>\$ 103,789</u>	<u>\$ 33,842</u>
Total Activities:	<u>\$ 891,219</u>	<u>1,755,944</u>	<u>1,616,938</u>	<u>1,030,224</u>

**MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 69, CANADIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2012	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2013	Indirect Costs Included In Federal Grant Expenditures
<b>U.S. Department of Defense</b>							
Direct Programs:							
JROTC	(Note 4)	12.357	771/179	0	91,338	91,338	0
<b>Total U.S. Department of Defense</b>				<b>0</b>	<b>91,338</b>	<b>91,338</b>	<b>0</b>
<b>U.S. Department of Education</b>							
Direct Programs:							
Indian Education Title VII		84.060A	561	(3,181)	110,613	183,398	(75,965)
Passed Through Oklahoma State Department of Education:							
Title I, Basic		84.010	511	(13,320)	471,767	608,405	(149,958)
<b>Title I Cluster</b>				<b>(13,320)</b>	<b>471,767</b>	<b>608,405</b>	<b>(149,958)</b>
IDEA-B Project ECHO		84.027	615	0	0	1,580	(1,580)
IDEA-B Flowthrough		84.027	621	(53,944)	1,025,830	1,360,432	(388,546)
IDEA-B Preschool		84.173	641	(1,540)	10,976	9,836	(400)
<b>Special Education Cluster</b>				<b>(55,483)</b>	<b>1,036,805</b>	<b>1,371,847</b>	<b>(390,525)</b>
Title II, Part A,	(Note 3)	84.367	541	(4,845)	69,169	110,673	(46,349)
Title III, Emergency Immigrant	(Note 3)	84.365	571	0	24,162	24,162	0
Title III, Part A	(Note 3)	84.365	572	(3,381)	27,883	24,501	0
Passed through Oklahoma Department of Vocational Education							
Carl Perkins Supplemental Grant		84.048	421	0	51,703	51,703	0
<b>Total U.S. Department of Education</b>				<b>(80,210)</b>	<b>1,792,102</b>	<b>2,374,689</b>	<b>(662,798)</b>
<b>U.S. Department of Human Services</b>							
Passed through Department of Human Services:							
Rehabilitation Services (OJT) Federal		84.126	456	16,524	3,203	3,762	15,965
<b>Total U.S. Department of Human Services</b>				<b>16,524</b>	<b>3,203</b>	<b>3,762</b>	<b>15,965</b>
<b>U.S. Department of Agriculture</b>							
Passed Through State Department of Education:							
Breakfast Program		10.553	764	0	260,300	260,300	0
Lunch Program		10.555	763	0	1,204,733	1,204,733	0
Commodities Distributed-Lunch	(Note 2)	10.555	N/A	0	189,324	189,324	0
<b>Child Nutrition Cluster</b>				<b>0</b>	<b>1,654,357</b>	<b>1,654,357</b>	<b>0</b>
<b>Total U.S. Department of Agriculture</b>				<b>0</b>	<b>1,654,357</b>	<b>1,654,357</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>(63,686)</b>	<b>3,541,000</b>	<b>4,124,147</b>	<b>(646,833)</b>

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

Note 3 - The expenditures for these programs have been limited to the amount of actual claims filed and reimbursed. The district's OCAS data reflected the following amounts: Project 541 - \$106,700, Project 571 - \$23,749, Project 572 - \$25,644.

Note 4 - The district used a local project code 179 to track all of its expenditures (\$244,3740) for the JROTC program instead of using the 771 project code to track the federal portion. The amount listed above is limited to the amount of federal revenues received.



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board Members:

We have audited, 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, the fund type and account group financial statements, regulatory basis, of **Mustang Independent School District #69**, Canadian County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated January 8, 2014. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of 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 the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Mustang Independent School District #69**, Canadian County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-1, 2013-2, 2103-4, 2013-5).

### **Compliance and Other Matters**

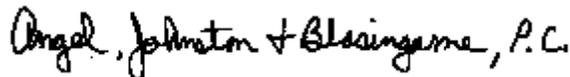
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

### **Mustang Independent School District #69, Oklahoma's, Response to Findings**

Mustang Independent School District #69, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
January 8, 2014



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

Board Members:

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of **Mustang Independent School District, I-69** Canadian County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, **Mustang Independent School District #I-69**, Canadian County, Oklahoma complied, in all material respects, with the types of 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, 2013.

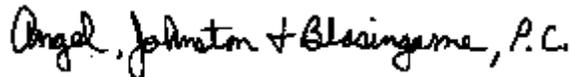
## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Mustang, Oklahoma  
January 8, 2014

**Mustang ISD No. 69, Canadian County**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2013

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |   |   |
|---|---|
| 1. Type of auditor's report issued  | Adverse<br>(Due to F/S being prepared on<br>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<br>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<br>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<br>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> |
| 84.027/84.173  | Special Education Cluster      |
| 10.553/10.555  | Child Nutrition Cluster        |
| 5. Dollar threshold used to distinguish between Type A or Type B<br>programs:  | \$300,000                      |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133,<br>Section 530?                                       | No                             |

**Mustang ISD No. 69, Canadian County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013  
(Continued)

**Section 2**

Financial Statement Findings

**2013-1- Finding**

**Statement of Condition** - While preparing the estimate of needs, we noted numerous miscoding of revenue data. These were corrected before the OCAS data was submitted.

**Criteria** -The State OCAS coding is to be used to track all revenue. The data is then submitted to the state Department of Education where it is used in various calculations.

**Cause/Effect of Condition** - Incorrect coding can result in incorrect state aid or other calculations by the state.

**Recommendation** - The person in charge of the revenue coding should attend training for OCAS coding. Also, the revenue should be reviewed and compared to the prior year before the OCAS data is submitted.

**2013-2 - Finding**

**Statement of Condition** - During our dates of fieldwork, the District could not locate documentation for several extra duty payments made to employees. Documentation was eventually located for all but 4 small extra pay amounts to two employees.

**Criteria** - All extra duty payments should be supported by documentation. This documentation should be maintained in an orderly fashion so that it can be readily accessible.

**Cause/Effect of Condition** - The District had turnover in payroll personnel that has resulted in loss of continuity. Employees could be paid amounts they didn't qualify for.

**Recommendation** - The District should review procedures for filing supporting documentation so that it can be readily accessible.

**2013-3 - Finding**

**Statement of Condition** - During our testing within the activity fund FFA sub account Blue and Gold fundraiser, we noted that a deposit for \$722 was held for one month prior to being deposited. Also, deposits for this fundraiser could not be traced to receipts.

**Criteria** - All money should be deposited daily if over \$100 and never less than once per week. Receipts should be issued for all money collected from students.

**Cause/Effect of Condition** - School employees are not following policies and procedures. This increases the risk of fraud and theft of money.

**Recommendation** - All money should be deposited daily and receipts should be issued to all students who turn in money.

**2013-4 - Finding**

**Statement of Condition** - As of our interim date of 5/22/13, the last completed reconciliation for activity fund was for January.

**Criteria** - Good accounting procedures require timely reconciliation of the accounting records to the bank statements.

**Cause/Effect of Condition** - There were errors in February and March that the activity custodians couldn't locate, and so they couldn't reconcile April and May. The errors were later located and corrected and all reconciliations were completed. Failure to complete timely reconciliations increases the risk of fraud and inaccurate financial statement information.

**Recommendation** - Bank statements should be reconciled to the accounting records on a monthly basis.

**2013-5 - Finding**

**Statement of Condition** - The former receivables employee for activity fund left in December. During January - May, the District continued to use her electronic signature for all checks although she was no longer an employee.

**Criteria** - Checks should be signed by employees who are approved by the district.

**Cause/Effect of Condition** - The district did not change the electronic signature in the software, therefore, checks written in January - May had the signature of an individual who was no longer employed by the school.

**Recommendation** - The electronic signatures should match the authorized signors at the bank, and all former employee signatures should be removed.

**Section 3**

Federal Award Findings and Questioned Costs

(None reported)

OTHER INFORMATION

**Mustang ISD No. 69, Canadian County**  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2013

**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/sick leave (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.

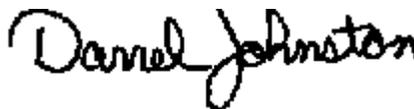
**Current Status** - We did not note overpayments in payroll during our 2012-13 audit.

**Mustang ISD No. 69, Canadian County**  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2013

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 2012-13.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Notary Public

My Commission Expires 11-12-16

SCHOOL'S CORRECTIVE ACTION PLAN

MUSTANG PUBLIC SCHOOL DISTRICT  
CANADIAN COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR – FY2013 – JUNE 30, 2013

AUDIT FINDING REFERENCE NUMBER: 2013-1

DESCRIPTION OF FINDING: While preparing the estimate of needs, we noted numerous miscoding of revenue data. These were corrected before the OCAS data was submitted.

CONTACT PERSON: Deanna Mowrey, Chief Financial Officer

STEPS IMPLEMENTED: OCAS training class attended in August 2013; All revenue postings are now reviewed monthly by CFO for monthly reporting, a final review will be completed in July 2014 for accurate reporting to the State Department of Education.

COMPLETION DATE: August, 2013 - ongoing

AUDIT FINDING REFERENCE NUMBER: 2013-2

DESCRIPTION OF FINDING: During our dates of fieldwork, the District could not locate documentation for several extra duty payments made to employees. Documentation was eventually located for all but 4 small extra pay amounts to two employees.

CONTACT PERSON: Deanna Mowrey, Chief Financial Officer

STEPS IMPLEMENTED: Reviewed our current filing system and implemented a new process for filing payroll reports and documentation on a more timely basis. Additional pay packets are kept with the monthly/bi-weekly pay files.

COMPLETION DATE: October, 2013 – ongoing

AUDIT FINDING REFERENCE NUMBER: 2013-3

DESCRIPTION OF FINDING: During our testing within the activity fund FFA sub account Blue and Gold fundraiser, we noted that a deposit for \$722 was held for one month prior to being deposited. Also, deposits for this fundraiser could not be traced to receipts.

CONTACT PERSON: Deanna Mowrey, Chief Financial Officer

STEPS IMPLEMENTED: Requested Activity Fund Custodians to review activities for timeliness of deposits and send reminders to assist school sites. Trained Principals at Leadership meeting about the school law that requires deposits be made timely.

COMPLETION DATE: October, 2013 - ongoing

AUDIT FINDING REFERENCE NUMBER: 2013-4

DESCRIPTION OF FINDING: As of our interim date of 5/22/13, the last completed reconciliation for activity fund was for January.

CONTACT PERSON: Deanna Mowrey, Chief Financial Officer

STEPS IMPLEMENTED; District hired adequate staffing levels for timely completion of bank reconciliation and monthly reporting.

COMPLETION DATE: October, 2013 - ongoing

AUDIT FINDING REFERENCE NUMBER: 2013-5

DESCRIPTION OF FINDING: The former receivables employee for activity fund left in December. During January - May, the District continued to use her electronic signature for all checks although she was no longer an employee.

CONTACT PERSON: Deanna Mowrey, Chief Financial Officer

STEPS IMPLEMENTED; New stamp was ordered, review was completed on all bank accounts to ensure we were up to date.

COMPLETION DATE: October, 2013

*DM  
1-8-14*