PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

FINANCIAL STATEMENTS
June 30, 2012

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SCHOOL DISTRICT OFFICIALS
June 30, 2012

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PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

August 3, 2012

The Honorable Board of Education
Perkins-Tryon School District Number I-56
Perkins-Tryon, Payne County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma (District), as listed in the table of contents as combined financial statements as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

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.

However, in our opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma, as of June 30, 2012, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining statement of changes in assets and liabilities of the fiduciary funds—regulatory basis and other schedules listed as supplemental information in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. The combining statement of changes in assets and liabilities of the fiduciary funds—regulatory basis and other schedules listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
June 30, 2012

ASSETS

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Totals (Memorandum Only)	
Assets:	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2012	June, 30 2011
Cash and investments	$ 1,624,341	$ 156,578	$ 994,979	$ 16,375	$ 168,424	$ -	$ 2,960,697	$ 2,427,638
Due from others	-	-	-	-	-	-	-	-
Amount available in debt service fund	-	-	-	-	-	994,979	994,979	930,111
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	11,634,533	11,634,533	8,120,187
Total assets	$ 1,624,341	$ 156,578	$ 994,979	$ 16,375	$ 168,424	$ 12,629,512	$ 15,590,209	$ 11,477,936

LIABILITIES AND FUND BALANCES

Liabilities:								
Warrants payable	$ 661,195	$ 26,255	$ -	$ -	$ -	$ -	$ 687,450	$ 709,016
Encumbrances	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	168,424	-	168,424	149,828
Capitalized lease obligations payable	-	-	-	-	-	113,326	113,326	450,625
General obligation bonds payable	-	-	-	-	-	885,000	885,000	790,000
Long-term liabilities:								
Capitalized lease obligations payable	-	-	-	-	-	9,016,186	9,016,186	5,059,673
General obligation bonds payable	-	-	-	-	-	2,615,000	2,615,000	2,750,000
Total liabilities	661,195	26,255	-	-	168,424	12,629,512	13,485,386	9,909,142
Fund balances:								
Restricted for:								
Capital projects	-	-	-	16,375	-	-	16,375	-
Debt service	-	-	994,979	-	-	-	994,979	930,111
Child nutrition	-	38,983	-	-	-	-	38,983	-
Building	-	91,340	-	-	-	-	91,340	-
Unassigned	963,146	-	-	-	-	-	963,146	638,683
Total fund balances	963,146	130,323	994,979	16,375	-	-	2,104,823	1,568,794
Total liabilities and fund balances	$ 1,624,341	$ 156,578	$ 994,979	$ 16,375	$ 168,424	$ 12,629,512	$ 15,590,209	$ 11,477,936

The accompanying notes are an integral part of these financial statements.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
For the Fiscal Year Ended June 30, 2012

	Governmental Fund Types				Totals (Memoradum Only)	
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012	June 30, 2011
Revenues:						
Local sources	$ 1,614,267	$ 506,883	$ 971,822	$ 750,367	$ 3,843,339	$ 4,052,178
Intermediate sources	399,758	-	-	-	399,758	359,323
State sources	5,686,747	43,212	168	-	5,730,127	5,551,119
Federal sources	938,232	288,550	-	-	1,226,782	1,284,391
Other	28,539	720	-	-	29,259	41,808
Total revenues collected	8,667,543	839,365	971,990	750,367	11,229,265	11,288,819
Expenditures:						
Instruction	5,427,735	-	-	-	5,427,735	5,625,522
Support services	2,844,417	118,085	-	-	2,962,502	2,957,576
Non-instructional services	-	585,064	-	-	585,064	601,506
Capital outlay	12,160	-	-	-	12,160	101,601
Other outlays	369	5,209	-	-	5,578	5,707
Debt service:						
Principal retirement	12,500	44,199	790,000	699,509	1,546,208	1,652,702
Interest and fiscal agent charges	2,250	22,985	117,122	34,483	176,840	314,476
Total expenditures	8,299,431	775,542	907,122	733,992	10,716,087	11,259,090
Excess of revenues over (under) expenditures	368,112	63,823	64,868	16,375	513,178	29,729
Adjustments to prior year encumbrances	22,849	-	-	-	22,849	7,658
Beginning fund balances	572,185	66,500	930,111	-	1,568,796	1,531,407
Ending fund balances	$ 963,146	$ 130,323	$ 994,979	$ 16,375	$ 2,104,823	$ 1,568,794

The accompanying notes are an integral part of these financial statements.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 1,475,906	$ 1,475,906	$ 1,614,267	$ 138,361
Intermediate sources	349,879	349,879	399,758	49,879
State sources	5,627,992	5,627,992	5,686,747	58,755
Federal sources	786,257	786,257	938,232	151,975
Other	30,000	30,000	28,539	(1,461)
Total revenues	8,270,034	8,270,034	8,667,543	397,509
Expenditures:				
Instruction	5,969,940	5,969,940	5,427,735	542,205
Support services	2,845,000	2,845,000	2,844,417	583
Non-instructional services	-	-	-	-
Capital outlay	12,160	12,160	12,160	-
Other outlays	369	369	369	-
Debt service:				
Principal retirement	12,500	12,500	12,500	-
Interest and fiscal agent charges	2,250	2,250	2,250	-
Total expenditures	8,842,219	8,842,219	8,299,431	542,788
Net change in fund balance	(572,185)	(572,185)	368,112	940,297
Adjustments to prior year encumbrances	-	-	22,849	22,849
Beginning fund balance	572,185	572,185	572,185	-
Ending fund balances	$ -	$ -	$ 963,146	$ 963,146

The accompanying notes are an integral part of these financial statements.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS

SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 494,639	$ 494,639	$ 506,883	$ 12,244
Intermediate sources	-	-	-	-
State sources	44,766	44,766	43,212	(1,554)
Federal sources	275,175	275,175	288,550	13,375
Other	-	-	720	720
Total revenues	814,580	814,580	839,365	24,785
Expenditures:				
Instruction	-	-	-	-
Support services	189,550	189,550	118,085	71,465
Non-instructional services	618,230	618,230	585,064	33,166
Capital outlay	-	-	-	-
Other outlays	5,300	5,300	5,209	91
Debt service:				
Principal retirement	45,000	45,000	44,199	801
Interest and fiscal agent charges	23,000	23,000	22,985	15
Total expenditures	881,080	881,080	775,542	105,538
Net change in fund balance	(66,500)	(66,500)	63,823	130,323
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	66,500	66,500	66,500	-
Ending fund balances	$ -	$ -	$ 130,323	$ 130,323

The accompanying notes are an integral part of these financial statements.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS

DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 926,886	$ 926,886	$ 971,822	$ 44,936
Intermediate sources	-	-	-	-
State sources	-	-	168	168
Federal sources	-	-	-	-
Total revenues	926,886	926,886	971,990	45,104
Expenditures:				
Debt service:				
Principal retirement	790,000	790,000	790,000	-
Interest & fiscal agent charges	117,122	117,122	117,122	-
Total expenditures	907,122	907,122	907,122	-
Net change in fund balance	19,764	19,764	64,868	45,104
Beginning fund balance	930,111	930,111	930,111	-
Ending fund balances	$ 949,875	$ 949,875	$ 994,979	$ 45,104

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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 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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. There are no component units (entities considered to be financially accountable to the District).

B. Measurement Focus

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

Governmental funds - are used to account for most of the District'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). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus (Continued)

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund - is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds. The operation of the District's school cafeteria is reported as part of the General fund and consists of monies derived from federal and state financial assistance and food sales.

Special Revenue funds - account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

Building fund - consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund - consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

Debt Service fund - consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Project fund - consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus (Continued)

Fiduciary funds - account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund - is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. These funds are the School Activities Fund and Lunch Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

Account groups – are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt.

General Long-term Debt Account Group - accounts for the outstanding principal balances of 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.

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 Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when acquired.
- School supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditure when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of assets, liabilities and fund balances. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

7. Compensated Absences

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

The District reports long-term debt at face value in the general long-term debt account group. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. 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 *non-spendable* (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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

9. Fund Balance (Continued)

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.

10. Property Taxes and Other Local 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

11. Intermediate Revenues

Revenue from intermediate source is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

12. State Revenues

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

13. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

14. Non-Monetary Transactions

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

15. Memorandum Only - Total Columns

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

16. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's assets, liabilities, fund balances, revenues and expenses. However, complete comparative date (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read. Certain previously reported amounts have been reclassified to conform to current year classifications.

17. Resource Use Policy

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund - is utilized in all Governmental Funds of the District. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2012, the District held deposits of approximately $2,960,697 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

a. 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.
b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2012 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	$ 2,960,697	$ 2,960,697
Total investments			$ 2,960,697	$ 2,960,697

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 100% in Money Market funds ($2,960,697).

B. 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. These bonds are required to be fully paid serially within 25 years from the date of issue. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

In 2011, the District issued building bonds in the amount of $750,000 with an effective interest rate of 1.75% to 1.8%. Bond maturities begin July 1, 2013 with payments of $185,000 per year with a final maturity of $195,000 due July 1, 2016.

In 2010, the District issued building bonds in the amount of $1,150,000 with an effective interest rate of 1.35% to 2.65%. Bond maturities begin July 1, 2012 with payments of $285,000 per year with a final maturity of $295,000 due July 1, 2014.

In 2010, the District issued building bonds in the amount of $2,000,000 with an effective interest rate of 2.15% to 2.45%. Bond maturities begin July 1, 2011 with payments of $500,000 per year with a final maturity due July 1, 2014.

In 2009, the District issued building bonds in the amount of $300,000 with an effective interest rate of 3.5% to 3.1%. Bond maturities begin July 1, 2010 with payments of $100,000 per year with a final maturity due July 1, 2012.

In 2007, the District also issued building bonds in the amount of $550,000 with an effective interest rate of 4.1% to 3.55%. Bond maturities begin July 1, 2009 with two payments of $180,000 per year with a final maturity of $190,000 due July 1, 2011. This bond paid off in the current year.

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Long-term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	General Obligation Bonds Principal	Interest	Total Requirements
2013	$ 885,000	$ 73,875	$ 958,875
2014	970,000	56,518	1,026,518
2015	970,000	25,635	995,635
2016	480,000	11,890	491,890
2017	195,000	2,925	197,925
Total	$ 3,500,000	$ 170,843	$ 3,670,843

C. Leases

The District executed a lease with Zions First National Bank for acquisition of equipment on January 3, 2005. The amount of the lease is $125,000 with interest at 1.8%. The payments are $14,250 annually.

The District executed a lease with Payne County Bank to finance real property (Duplex) on March 19, 2007. The amount of the lease is $67,648 with interest at 5.5%. The payments are $11,903.64 annually.

The District executed a lease with RCB Trust Services to finance the construction of the Junior High Addition and the Performing Arts Center on December 1, 2008. The amount of the lease is $1,503,563 with interest at 5%. The payments are varying annually.

The District executed a lease with Payne County Bank to finance real property on December 30, 2009. The amount of the lease is $401,198 with interest at 5%. The payments are $38,652.33 per year.

The District executed a lease with RCB Trust Services to finance the construction of the Junior High Addition and the Performing Arts Center on November 1, 2009. The amount of the lease is $4,038,000 with interest at 4.7%. The payments are varying annually. This lease was refinanced through Arvest Trust Company.

The District executed a lease with Payne County Bank to finance real property on July 20, 2010. The amount of the lease is $71,993 with interest at 5%. The payments are $16,628.57 per year.

The District executed a lease with Arvest Trust Company to re-finance the prior executed leases by RCB Trust Services for construction of the Junior High Addition, Elementary School Addition and the Performing Arts Center on July 1, 2011. The amount of the lease is $9,378,000 with interest at 4.27%. The payments are varying annually.

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Leases (Continued)

Year Ended June 30,	Principal	Interest	Total Requirements
2013	$ 113,326	$ 393,608	$ 506,934
2014	1,643,156	388,779	2,031,935
2015	1,501,163	318,868	1,820,031
2016	1,027,601	252,680	1,280,281
2017	780,069	208,583	988,652
2018-2022	4,008,931	284,330	4,293,261
2023-2024	55,266	3,732	58,998
Total	9,129,512	1,850,580	10,980,092

The above leases contain a clause that gives the District the ability to terminate the lease agreements at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt account group for these leased assets.

D. Changes in General Long-term Debt

General long-term debt consists of bonds payable. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Bonds payable	$ 3,540,000	$ 750,000	$ 790,000	$ 3,500,000
Capitalized lease payable	5,510,298	4,375,422	756,208	9,129,512
Total	$ 9,050,298	$ 5,125,422	$ 1,546,208	$ 12,629,512

4. OTHER INFORMATION

A. 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. 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 years.

4. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was $21,240.

D. Employee Retirement System and Plan

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. 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 System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

4. OTHER INFORMATION (Continued)

D. Employee Retirement System and Plan (Continued)

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were $446,905, $483,799 and $469,202 respectively.

E. Surety Bonds

The treasurer is bonded by Old Republic Surety Company, bond number POB-2028953, for the penal sum of $75,000 for the term July 1, 2011 to July 1, 2012.

The minute clerk/encumbrance clerk is bonded by Old Republic Surety Company, bond number POB-2028953, for the penal sum of $10,000 for the term July 1, 2011 to July 1, 2012.

The activity fund custodian is bonded by Old Republic Surety Company, bond number POB-2028953, for the penal sum of $30,000 for the term July 1, 2011 to July 1, 2012.

The Superintendent is bonded by Old Republic Surety Company, bond number POB-2028953, for the penal sum of $100,000 for the term July 1, 2011 to July 1, 2012.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 3, 2012, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2012

PERKINS-TRYON SCHOOL DISTRICT NO. I-56
Payne County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Fiscal Year Ended June 30, 2012

ASSETS

	Building Fund	Child Nutrition Fund	Totals (Memo Only) June 30, 2012	Totals (Memo Only) June 30, 2011
Assets:				
Cash and investments	$ 97,520	$ 59,058	$ 156,578	$ 97,957
Due from others	-	-	-	-
Total assets	$ 97,520	$ 59,058	$ 156,578	$ 97,957

LIABILITIES AND FUND BALANCES

Liabilities:				
Warrants payable	$ 6,180	$ 20,075	$ 26,255	$ 31,459
Due to others	-	-	-	-
Encumbrances	-	-	-	-
Total liabilities	6,180	20,075	26,255	31,459
Fund balances:				
Restricted	91,340	38,983	130,323	66,498
Total fund balances	91,340	38,983	130,323	66,498
Total liabilities and fund balances	$ 97,520	$ 59,058	$ 156,578	$ 97,957

PERKINS-TRYON SCHOOL DISTRICT NO. I-56
Payne County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Fiscal Year Ended June 30, 2012

	Building Fund	Child Nutrition Fund	Totals (Memo Only) June 30, 2012	Totals (Memo Only) June 30, 2011
Revenues:				
Local sources	$ 223,396	$ 283,487	$ 506,883	$ 501,388
Intermediate sources	-	-	-	-
State sources	39	43,173	43,212	44,796
Federal sources	-	288,550	288,550	275,175
Other	-	720	720	5,353
Total revenues collected	223,435	615,930	839,365	826,712
Expenditures:				
Support services	118,085	-	118,085	153,758
Non-instructional services	-	585,064	585,064	601,506
Capital outlay	-	-	-	80,964
Other outlays	-	5,209	5,209	5,213
Debt service:				
Principal retirement	44,199	-	44,199	58,384
Interest and fiscal agent charges	22,985	-	22,985	31,987
Total expenditures	185,269	590,273	775,542	931,812
Excess of revenues (under) expenditures	38,166	25,657	63,823	(105,100)
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balances	53,174	13,326	66,500	171,598
Ending fund balances	$ 91,340	$ 38,983	$ 130,323	$ 66,498

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - REGULATORY BASIS - ACTIVITY AND LUNCH FUNDS
June 30, 2012

	Agency Funds			
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets:				
Cash:				
Activity funds	$ 149,828	$ 476,076	$ 457,480	$ 168,424
Lunch funds	5,215	271,584	276,799	-
Total assets	155,043	747,660	734,279	168,424
Liabilities:				
Lunch fund outstanding warrants	$ 5,215	$ 271,584	$ 276,799	$ -
Due to student groups:				
Yearbook	17,371	19,855	18,658	18,568
Art	342	461	581	222
Athletics	27,718	118,740	120,564	25,894
Band	6,400	35,902	28,644	13,658
Class of 2012	1,220	4,013	4,269	964
Class of 2013	-	-	-	-
Class of 2011	180	2,911	2,373	718
Clearing	-	6,610	6,365	245
Coke Account - Elementary	10,656	29,301	23,118	16,839
Coke Account - High School	312	1,268	549	1,031
Concession	9,021	38,547	31,237	16,331
Drama	158	1,180	708	630
Evans Ag Farm	966	-	-	966
FFA	27,668	90,584	91,887	26,365
FCCLA	519	17,113	16,829	803
Junior High FCCLA	857	7,357	7,090	1,124
Interest - NOW	10,565	6,773	4,141	13,197
RAK	368	5	-	373
Library - Elementary	4,996	11,092	11,070	5,018
High School Media Center	4,045	7,128	5,747	5,426
Library - JR High	769	6,233	6,007	995
Junior High School Activity	5,117	5,849	4,521	6,445
Miscellaneous	-	369	369	-
National Honor Society	918	1,240	1,211	947
Cheerleaders - High School	142	9,923	9,349	716
Cheerleaders - Junior High	5,485	14,103	16,335	3,253
Student Council - High School	563	3,273	3,090	746
Student Council - Junior High	418	2,244	2,254	408
Academic Team	166	140	75	231
Pre-School Educators	313	500	359	454
Advanced Placement	108	1,515	1,464	159
Class of 2008	-	-	-	-
Intermediate School Activity	9,506	12,927	20,367	2,066
Library - Intermediate	476	1,308	765	1,019
Elementary PE/Box Tops	1,254	2,040	1,947	1,347
Business Professionals of America	114	658	740	32
High School Pom Team	1,117	5,439	5,322	1,234
Drivers Ed	-	9,475	9,475	-
Total Liabilities	$ 155,043	$ 747,660	$ 734,279	$ 168,424

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REGULATORY BASIS

SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012

	BUILDING FUND			CHILD NUTRITION FUND			TOTALS		
	Budgeted Amounts			Budgeted Amounts			Budgeted Amounts		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Local sources	$ 204,103	$ 204,103	$ 223,396	$ 290,536	$ 290,536	$ 283,487	$ 494,639	$ 494,639	$ 506,883
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	273	273	39	44,493	44,493	43,173	44,766	44,766	43,212
Federal sources	-	-	-	275,175	275,175	288,550	275,175	275,175	288,550
Other	-	-	-	-	-	720	-	-	720
Total revenues	204,376	204,376	223,435	610,204	610,204	615,930	814,580	814,580	839,365
Expenditures:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	189,550	189,550	118,085	-	-	-	189,550	189,550	118,085
Non-instructional services	-	-	-	618,230	618,230	585,064	618,230	618,230	585,064
Capital outlay	-	-	-	-	-	-	-	-	-
Other outlays	-	-	-	5,300	5,300	5,209	5,300	5,300	5,209
Debt service:									
Principal retirement	45,000	45,000	44,199	-	-	-	45,000	45,000	44,199
Interest & fiscal agent charges	23,000	23,000	22,985	-	-	-	23,000	23,000	22,985
Total expenditures	257,550	257,550	185,269	623,530	623,530	590,273	881,080	881,080	775,542
Net change in fund balance	(53,174)	(53,174)	38,166	(13,326)	(13,326)	25,657	(66,500)	(66,500)	63,823
Adjustments to prior year encumbrances	-	-	-	-	-	-	-	-	-
Beginning fund balance	53,174	53,174	53,174	13,326	13,326	13,326	66,500	66,500	66,500
Ending fund balances	$ -	$ -	$ 91,340	$ -	$ -	$ 38,983	$ -	$ -	$ 130,323

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Balance at July 1, 2011	Revenue Collected	Total Expenditures	Balance at June 30, 2012
U.S. Department of Education:							
Direct Programs:							
Title VII - Indian Education	84.060	561	$ 36,120	$ -	$ 36,120	$ 36,120	$ -
Passed through State Department of Education:							
Title I	84.010	511	217,949	-	185,251	185,251	-
Title I - Part A - ARRA 10-11	84.389	516	-	(53,825)	53,825	-	-
Title II, Part A	84.367	541	78,272	-	63,634	63,634	-
Title II, Part D 10-11	84.318X	546	94,686	(3,383)	3,383	-	-
Title IV, Part A	84.186	551	-	-	-	-	-
IDEA Part B	84.027	621	280,447	-	280,447	280,447	-
Title VI, Part B - Rural and Low Income	84.358B	587	30,495	-	22,839	22,839	-
State Fiscal Stabilization - ARRA	84.395	641	6,678	-	6,678	6,678	-
State Fiscal Stabilization - ARRA	84.394	790	237,905	-	237,905	237,905	-
Sub-Total			946,432	(57,208)	853,962	796,754	-
Passed through State Department of Career and Technology Education:							
Carl Perkins	84.048	421	12,242	-	12,242	12,242	-
Passed through the Oklahoma Health Care Authority:							
Medicaid	93.778	698	70,059	-	35,909	35,909	-

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Balance at July 1, 2011	Revenue Collected	Total Expenditures	Balance at June 30, 2012
U. S. Department of Agriculture:							
Passed through State Department of Education:							
Child Nutrition Programs:							
National School Lunch Program	10.555		208,756	-	208,756	208,756	-
School Breakfast Program	10.553		77,596	-	77,596	77,596	-
Special Milk	10.556		2,197	-	2,197	2,197	-
Passed through Oklahoma Department of Human Services (Note A)	10.551		21,240	-	21,240	21,240	-
Sub-Total			309,789	-	309,789	309,789	-
Total Expenditures of Federal Awards			$ 1,374,642	$ (57,208)	$ 1,248,022	$ 1,190,814	$ -

Note A - Food Distribution: Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note B - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements except for nonmonetary assistance noted in Note A.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma)

County of Payne)

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 Perkins-Tryon School District for the audit year 2011-2012.

CBEW Professional Group, LLP

Auditing Firm

By Walter H Webb

Authorized Agent

Subscribed and sworn to before me on this 3rd day of, August, 2012.

Rebecca Toops

Notary Public

REBECCA TOOPS
Notary Public, State of Oklahoma
Commission # 11007004
My Commission Expires August 02, 2015

My commission expires on:

2nd day of Aug., 2015 11007004.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2012

CBEW Professional Group, LLP
Certified Public Accountants

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

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*

August 3, 2012

The Honorable Board of Education
Perkins-Tryon School District Number I-56
Perkins-Tryon, Payne County, Oklahoma

We have audited the accompanying fund type and account group financial statements–regulatory basis within the combined financial statements of the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma (District), as of and for the year ended June 30, 2012, and have issued our report thereon dated August 3, 2012, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Perkins-Tryon School District Number I-56
August 3, 2012

This report is intended solely for the information and use of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

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Certified Public Accountants

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

August 3, 2012

The Honorable Board of Education
Perkins-Tryon School District Number I-56
Perkins-Tryon, Payne County, Oklahoma

Compliance

We have audited the compliance of the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma (District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Perkins-Tryon School District Number I-56, Payne County, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Perkins-Tryon School District Number I-56, Perkins-Tryon, Payne County, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

2. No significant deficiencies relating to the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of Perkins-Tryon School District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".

5. The auditor's report on compliance for the major federal award programs for Perkins-Tryon School District expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for Perkins-Tryon School District are reported in this Schedule.

7. The programs tested as major programs included: State Fiscal Stabilization fund – Education State Grants ARRA – CFDA No. 84.394, National School Lunch – CFDA No. 10.555, School Breakfast Program – CFDA 10.553, Special Milk Program for Children – CFDA No. 10.556 and Supplemental Nutrition Assistance Program – CFDA No. 10.551 as a cluster; and Title I – CFDA No. 84.010.

8. The threshold used for distinguishing between Types A and B programs was $300,000.

9. The Perkins-Tryon School District did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2. None

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-56
Payne County, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

None.

PERKINS-TRYON SCHOOL DISTRICT NUMBER I-39
Payne County, Oklahoma
June 30, 2012

AUDIT ACKNOWLEDGEMENT

The annual independent audit for the Perkins-Tryon School District Number I-56 was presented to the Board of Education in an Open Board Meeting on September 4, 2012, by CBEW Professional Group, LLP.

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

> "The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

_____
Superintendent of Schools

_____
Board of Education Vice President

_____
Board of Education President

_____
Board of Education Member

_____
Board of Education Member

_____
Board of Education Member

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

My commission expires on _____ day of _____, 20_____.

_____
Notary Public

Affix Notary Seal