FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT SCHOOL DISTRICT ACCOUNTS
RIPLEY SCHOOL DISTRICT, NO. I-3
PAYNE COUNTY, OKLAHOMA

JUNE 30, 2012

RIPLEY SCHOOL DISTRICT I-103
PAYNE COUNTY, OKLAHOMA
June 30, 2012

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PAYNE COUNTY, OKLAHOMA
June 30, 2012

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Member of the American Institute of Certified Public Accountants

Member of the Oklahoma Society of Certified Public Accountants

Steven F. Cundiff
Certified Public Accountant, Inc.
205 West Seventh, Suite 201-A, P.O. Box 187
Stillwater, Oklahoma 74076
(405) 372-4822 FAX (405) 372-4828

Independent Auditor's Report

The Honorable Board of Education
Ripley Independent School District No. I-3
Ripley, Payne County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Ripley School District No. I-3, Payne County, Oklahoma, 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 Ripley School District No. I-3, Payne County, Oklahoma. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements are 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 State 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 Ripley School District No. I-3, 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 or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

Independent Auditor's Report (continued)

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 balances arising from regulatory basis transactions of each fund type and account group of Ripley School District No. I-3, Payne County, Oklahoma, as of June 30, 2012, and the revenues collected and expenditures paid and encumbered of each fund type for the year then ended, on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012 on our consideration of Ripley School District No. I-3, Payne County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and is not a required part of the combined financial statements of the District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States 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. This other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within 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 financial statement 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 other supplementary information is fairly stated in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

September 4, 2012

Steven F. Cundiff

Steven F. Cundiff, CPA, Inc.

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

RIPLEY SCHOOL DISTRICT NO. I-3
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - REGULATORY BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	2012
ASSETS							
Cash and cash equivalents (note 2)	$ 717,898.87	$ 169,831.54	$ 172,101.11	$ 613,966.07	$ 84,486.22	$ -	$ 1,758,283.81
Investments	-	-	-	-	-	-	-
Amount to be provided for compensated absences	-	-	-	-	-	-	-
Amount to be provided for capitalized lease agreements	-	-	-	-	-	317,664.93	317,664.93
Amounts available in debt service fund	-	-	-	-	-	172,101.11	172,101.11
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	1,092,898.89	1,092,898.89
Total assets	$ 717,898.87	$ 169,831.54	$ 172,101.11	$ 613,966.07	$ 84,486.22	$ 1,582,664.93	$ 3,340,948.74
LIABILITIES AND FUND EQUITY							
Liabilities:							
Outstanding warrants	$ 76,374.85	$ 11,261.38	$ -	$ -	$ -	$ -	$ 87,636.23
Encumbrances	1,811.84	31,627.48	-	-	-	-	33,439.32
Long-term debt (note 5:)							
Compensated absence	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	317,664.93	317,664.93
Bonds payable	-	-	-	-	-	1,265,000.00	1,265,000.00
Due to student activities	-	-	-	-	84,486.22	-	84,486.22
Total liabilities	78,186.69	42,888.86	-	-	84,486.22	1,582,664.93	1,788,226.70
Fund equity:							
Restricted for capital projects	-	-	-	613,966.07	-	-	613,966.07
Restricted for debt service	-	-	172,101.11	-	-	-	172,101.11
Restricted for plant inprovements and operations		60,941.34					60,941.34
Restricted for child nutrition programs		66,001.34					66,001.34
Unassigned	639,712.18	-	-	-	-	-	639,712.18
Total fund equity	639,712.18	126,942.68	172,101.11	613,966.07	-	-	1,552,722.04
Total liabilities and fund equity	$ 717,898.87	$ 169,831.54	$ 172,101.11	$ 613,966.07	$ 84,486.22	$ 1,582,664.93	$ 3,340,948.74

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

RIPLEY SCHOOL DISTRICT NO. I-3
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types				Fiduciary Fund Types	
	General Fund	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Total (Memorandum only)
Revenues collected:						
Local sources	$ 703,271.68	$ 141,459.80	$ -	$ 872.41	$ 369,962.44	$ 1,215,566.33
Intermediate sources	136,907.13	-	278,784.48	-	-	415,691.61
State sources	2,095,053.26	22,233.53	-	-	-	2,117,286.79
Federal sources	401,330.57	242,443.66	-	-	-	643,774.23
Total revenues collected	3,336,562.64	406,136.99	278,784.48	872.41	369,962.44	4,392,318.96
Expenditures paid:						
Instruction	1,858,592.00	-	-	-	363,615.81	2,222,207.81
Support Services	1,240,784.05	7,766.18	-	-	-	1,248,550.23
Non-Instructional services	10,466.29	327,604.40	-	-	-	338,070.69
Capital outlay	48,627.50	64,630.69	-	55,000.00	-	168,258.19
Other outlays	110,398.54	100.00	-	-	-	110,498.54
Debt services:						-
Principal retirement	-	-	285,000.00	-	-	285,000.00
Interest	-	-	23,352.50	-	-	23,352.50
Total expenditures paid	3,268,868.38	400,101.27	308,352.50	55,000.00	363,615.81	4,395,937.96
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	67,694.26	6,035.72	(29,568.02)	(54,127.59)	6,346.63	(3,619.00)
Adjustments to prior year encumbrances	-	-	-	-	-	-
Other financing sources (uses):						
Bond sale proceeds	-	-	-	550,000.00	-	550,000.00
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	550,000.00	-	550,000.00
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	67,694.26	6,035.72	(29,568.02)	495,872.41	6,346.63	546,381.00
Fund balances, beginning of year	572,017.92	120,906.96	201,669.13	118,093.66	78,139.59	1,090,827.26
Fund balances, end of year	$ 639,712.18	$ 126,942.68	$ 172,101.11	$ 613,966.07	$ 84,486.22	$ 1,637,208.26

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

RIPLEY SCHOOL DISTRICT NO. I-3
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			Special Revenue Funds (Building and Child Nutrition only)			Debt Service Fund (Sinking Fund)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:									
Local sources	$ 535,580.36	$ 535,580.36	$ 703,271.68	$ 76,511.48	$ 76,511.48	$ 141,459.80	$ 314,632.01	$ 314,632.01	$ 278,676.96
Intermediate sources	106,831.33	106,831.33	136,907.13	-	-	-	-	-	-
State sources	2,195,709.63	2,205,320.63	2,095,053.26	3,990.88	3,990.88	22,233.53	-	-	107.52
Federal sources	125,596.46	313,953.28	401,330.57	268,306.89	268,306.89	242,443.66	-	-	-
Total revenues collected	2,963,717.78	3,161,685.60	3,336,562.64	348,809.25	348,809.25	406,136.99	314,632.01	314,632.01	278,784.48
Expenditures paid:									
Instruction	2,125,459.32	2,323,427.14	1,858,592.00	53,717.32	53,717.32	-	-	-	-
Support services	1,240,784.05	1,240,784.05	1,240,784.05	7,766.18	7,766.18	7,766.18	-	-	-
Non-instructional services	10,466.29	10,466.29	10,466.29	343,502.02	343,502.02	327,604.40	-	-	-
Capital outlays	48,627.50	48,627.50	48,627.50	64,630.69	64,630.69	64,630.69	-	-	-
Other outlays	110,398.54	110,398.54	110,398.54	100.00	100.00	100.00	314,632.01	314,632.01	308,352.50
Total expenditures paid	3,535,735.70	3,733,703.52	3,268,868.38	469,716.21	469,716.21	400,101.27	314,632.01	314,632.01	308,352.50
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(572,017.92)	(572,017.92)	67,694.26	(120,906.96)	(120,906.96)	6,035.72	-	-	(29,568.02)
Adjustments to prior year encumbrances	-	-	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(572,017.92)	(572,017.92)	67,694.26	(120,906.96)	(120,906.96)	6,035.72	-	-	(29,568.02)
Fund balances, beginning of year	572,017.92	572,017.92	572,017.92	120,906.96	120,906.96	120,906.96	201,669.13	201,669.13	201,669.13
Fund balances, end of year	$ -	$ -	$ 639,712.18	$ -	$ -	$ 126,942.68	$ 201,669.13	$ 201,669.13	$ 172,101.11

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS-REGULATORY BASIS

1. Summary of Significant Accounting Policies

The financial statements of the Ripley School District Number I-3 (the "District") have been prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is an other comprehensive basis of accounting other than generally accepted accounting principles. 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 following is a summary of the more significant accounting policies:

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. This group 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 Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

The appointed superintendent is the executive officer of the District. The Board 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.

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 included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, 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.

Summary of Significant Accounting Policies (continued)

B. Measurement Focus

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."

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).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue 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.

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

> Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.
>
> Child Nutrition Fund – The Child Nutrition Fund is used to account for monies derived from federal and state reimbursement and local food service collections and is expended on food, supplies, and salaries to operate the breakfast and lunch programs.

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.

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

Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District does not have any proprietary funds.

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, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. 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.

Agency Fund - The Agency fund is the School Activities Fund, which is used to account for monies collected principally through fund-raising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for 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.

General Long-Term Debt Account Group - This account group was established 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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the School District. The District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition and are not recorded as assets for financial statement purposes.

Memorandum Only - Total Column

The total column on the 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 or results of operations 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.

Summary of Significant Accounting Policies (continued)

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*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure liability when the obligation is paid.
- A General Fixed Asset Account Group is required or expected by the Department of Education and is presented in such an account group but is 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 and liabilities are incurred for proprietary fund types and trust funds.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. Revenues are recognized when they are received rather than earned. Under the Statutory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

D. Budgets and Budgetary Accounting-Estimate of Needs

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If

Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate. A budget is legally adopted by the Board of Education for the General Fund, Special Revenue Funds (Building Fund and Child Nutrition Fund) and the Debt Service Fund, that includes revenues and expenditures.

The 2011-2012 Estimate of Needs was approved by the Board and subsequently filed with the County Clerk. The Estimate of Needs was approved by the excise board and the requested levies were made.

E. Encumbrances

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. Appropriations not used or encumbered will lapse at the end of the year.

F. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - 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 bank certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates 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 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 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 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 - Purchases for inventory items are considered expenditures at the time the items were encumbered.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity (continued)

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from generally accepted accounting principles.

In accordance with the provisions of professional standards on accounting for compensated absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable available financial resources.

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.

Fund Balance - Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

G. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the 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.

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.

Summary of Significant Accounting Policies (continued)

Revenue, Expenses and Expenditures (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2012.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

2. Cash and Investments

The District's investment policies are governed by state statute. 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. In accordance with state statutes and the District's investment policy, the District invests in bank certificates of deposit.

Deposits and Investments – The District's cash deposits and investments at June 30, 2012, were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name. The District's cash deposits and investments at June 30, 2012 are classified in the following categories:

			Uninsured by FDIC	
	Total Deposits	Insured by FDIC	Collateralized by Securities	Uncollateralized
Cash and cash equivalents	$ 1,758,283.81	$ 1,125,323.19	$ 681,672.91	$ 0.00
Investments	0.00	0.00	0.00	0.00
Total	$ 1,758,283.81	$ 1,125,323.19	$ 681,672.91	$ 0.00

3. Interfund Receivables and Payables

There were no interfund receivables or payables at June 30, 2012.

4. 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. 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, obligations for compensated absences, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012:

	Bonds Payable	Compensated Absences	Capital Lease Obligation	Total
Balance, July 1, 2011	$ 1,000,000.00	$ 0.00	$ 232,939.74	$ 1,232,939.74
Additions	550,000.00	0.00	150,000.00	700,000.00
Retirements	(285,000.00)	0.00	(65,274.81)	(350,274.81)
Balance, June 30, 2012	$ 1,265,000.00	$ 0.00	$ 317,664.93	$ 1,582,664.93

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

	Amount Outstanding
Independent School District I-103 Building Bonds, dated April 1, 2008, original issue $325,000.00, interest rates of 2.65% to 3.75%, due in three payments of $80,000.00 with a final payment of $85,000.00 due April 1, 2013.	85,000.00
Independent School District I-103 Building Bonds, dated May 1, 2009, original issue $240,000.00, interest rates of 2.1% to 2.4%, due in four payments of 60,000.00 with a final payment due May 1, 2015.	180,000.00
Independent School District I-103 Building Bonds, dated June 1, 2010, original issue $475,000.00, interest rates of 1.65% to 2.5%, due in four payments of $120,000.00 and one payment of $115,000.00 with a final payment due June 1, 2015	360,000.00
Independent School District I-103 Building Bonds, dated May 1, 2011, original issue $90,000.00, interest rates of 1.70% to 3.25%, due in three payments of $30,000.00 with a final payment due May 1, 2015.	90,000.00
Independent School District I-103 Building Bonds, dated May 1, 20011, original issue $550,000.00, interest rate of 1.0%, due in one payment of $130,000.00 and three payments of $140,000.00 with a final payment due May 1, 2017	550,000.00
Total	$ 1,265,000.00

General Long-term Debt (continued)

The annual debt service requirements for retirements of bond principal and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2013	295,000.00	15,650.00	310,650.00
2014	340,000.00	14,380.00	354,380.00
2015	350,000.00	8,910.00	358,910.00
2016	140,000.00	2,800.00	142,800.00
2017	140,000.00	1,400.00	141,400.00
Total	$ 1,265,000.00	$ 43,140.00	$ 1,308,140.00

Interest expense on general long-term debt incurred during the current year totaled $23,352.50

The District has entered into four lease agreements as lessee for financing the acquisition of vehicles, computers, land, and a building. The 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. The leases contain the clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

As disclosed 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 leased equipment 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.

		Lease One	Lease Two	Lease Three
Lessor:		Payne County Bank	Payne County Bank	Payne County Bank
Equipment:		1.76 acres, Smart Boards & Fence	Band building & Computers	2.644 acres
Date of lease:		Nov. 1, 2011	July 13, 2007	December 17, 2010
Terms of lease:		10 years	5 years	7 years
Total cost:		$187,572.00	$78,243.00	$195,306.50
Payment:		$1,563.10 per month	$1,304.05 per month	$2,261.68 per month
Interest rate		4.5%	5.5%	5.0%
Annual commitment:	2012-13	18,757.20	1,304.05	27,140.16
	2013-14	18,757.20	0.00	27,140.16
	2014-15	18,757.20	0.00	27,140.16
	2015-16	18,757.20	0.00	27,140.16
	2016-17	18,757.20	0.00	27,140.16
	2017-18	18,757.20	0.00	27,140.16
	2018-19	18,757.20	0.00	4,522.71
	2019-20	18,757.20	0.00	0.00
	2020-21	18,757.20	0.00	0.00
	2021-22	9,378.60	0.00	0.00
Total Minimum lease payments:		$ 178,193.40	$ 1,304.05	$ 167,363.67
Interest amount:		(33,412.51)	(5.98)	(23,611.93)
Present value:		$ 144,780.89	$ 1,298.07	$ 143,751.74

General Long-term Debt (continued)

Lease Four

Lessor:	Payne County Bank
Equipment:	2010 Dodge Van
Date of lease:	March 3, 2011
Terms of lease:	5 years
Total cost:	$38,740.53
Payment:	$679.66 per month
Interest rate	5.0%

Annual commitment:	2012-13	8,155.92
	2013-14	8,155.92
	2014-15	8,155.92
	2015-16	6,116.85
Total Minimum lease payments:		$ 30,584.61
Interest amount:		(2,750.38)
Present value:		$ 27,834.23

Total Annual commitment of all lease obligations:

2012-13	55,357.33
2013-14	54,053.28
2014-15	54,053.28
2015-16	52,014.21
2016-17	45,897.36
2017-18	45,897.36
2018-19	23,279.91
2019-20	18,757.20
2020-21	18,757.20
2021-22	9,378.60
Total Minimum lease payments:	$ 377,445.73
Interest amount:	(59,780.80)
Present value:	$ 317,664.93

5. Other Post Employment Benefits

The District does not offer any early retirement incentive plans.

6. Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). 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 educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The

Employee Retirement System (continued)

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.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest earning years on contributory service multiplied by the number of years credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of $18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.0% of applicable compensation for the year ended June 30, 2012. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

New legislation effective July 1, 2006, included the following changes to the System, as follows:

1. It established the EESIP whereby active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities. The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond normal retirement age at the time of retirement. The $40,000 cap applicable to service before July 1, 1995 is increased to $60,000 for the year ended June 30, 2007, to $80,000 for the year ended June 30, 2008, and the cap is removed beginning July 1, 2008 for service that qualifies for the enhancement provided by EESIP. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required for those years of service that are computed at an elevated or eliminated cap. For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance if the retirement occurs during the year ended June 30, 2007, 75% of the accumulated balance if retirement occurs during the year ended June 30, 2008 and 100% of the accumulated balance for members who retire on or after July 1, 2008.

2. The employer contribution rate is 9.5%.

The District's contributions to the System for the years ending:

June 30, 2012	$ 272,732.27
June 30, 2011	$ 282,069.45
June 30, 2010	252,891.25

Employee Retirement System (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The Oklahoma Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The system issues an independent financial report, financial statements, and required supplementary information that 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.

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

Schedule of Funding Progress (dollars in millions) (unaudited)

Actuarial Valuation Date	Actuarial Value of Assets(AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability(UAAL)(b-a)	Funder Ratio(a/b)	Annual Covered Payroll(c)	UAAL as % of Covered Payroll(b-a)/(c)
June 30, 2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
June 30, 2004	6,600.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
June 30, 2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	201.4%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

7. Contingencies and Other Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

Contingencies and Other Commitments (continued)

The District has entered into one operating lease for six buses.

Lessor:	Midwest Bus Sales	
Equipment:	6 school buses	
Date of lease:	July 1, 2010	
Terms of lease:	3 years	
Total cost:	$ 216,000.00	
Payment:	$ 72,000.00 per year	
Annual commitment:	2012-13	72,000.00
Total lease payments:		$ 72,000.00

8. Risk Management

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and workers compensation. The District also purchases surety bonds for employees in all positions required by state law to be bonded. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

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. 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 make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

9. Accumulated Unpaid Vacation, Sick Leave Benefits, and Health Care Coverage

The District provides sick leave benefits to the certified staff in accordance with Title 70, Article 6-104, of the Oklahoma Statutes, which provides for an annual accrual of sick leave of ten days and personal business days accrual of three days. Ten days are allowed to accumulate up to a total of sixty days per employee. None of the benefits are payable upon retirement or death.

10. Subsequent Events

Subsequent events have been evaluated through September 4, 2012, which is the date the financial statements were available to be issued.

COMBINING FINANCIAL STATEMENTS-REGULATORY BASIS

RIPLEY SCHOOL DISTRICT I-3
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
June 30, 2012

	Building Fund	Child Nutrition Fund	Total
ASSETS			
Cash	$ 100,059.53	$ 69,772.01	$ 169,831.54
Investments	-	-	-
Total assets	$ 100,059.53	$ 69,772.01	$ 169,831.54
LIABILITIES AND FUND BALANCE			
Liabilities:			
Outstanding warrants	$ 7,490.71	$ 3,770.67	$ 11,261.38
Encumbrances	31,627.48	-	31,627.48
Total liabilities	39,118.19	3,770.67	42,888.86
Fund balances: restricted	60,941.34	66,001.34	126,942.68
Total liabilities and fund balances	$ 100,059.53	$ 69,772.01	$ 169,831.54

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

RIPLEY SCHOOL DISTRICT I-3
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund	Child Nutrition Fund	Total
Revenues Collected:			
District sources	$ 83,707.22	$ 57,752.58	$ 141,459.80
Intermediate sources	-	-	-
State sources	28.28	22,205.25	22,233.53
Federal sources	-	242,443.66	242,443.66
Total revenues collected	83,735.50	322,401.49	406,136.99
Expenditures paid:			
Instruction	-	-	-
Support services	7,766.18	-	7,766.18
Non-instruction services	-	327,604.40	327,604.40
Capital outlay	64,630.69	-	64,630.69
Other outlays	-	100.00	100.00
Total expenditures paid	72,396.87	327,704.40	400,101.27
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	11,338.63	(5,302.91)	6,035.72
Adjustments to prior year encumbrances	-	-	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other uses	11,338.63	(5,302.91)	6,035.72
Fund balances, restricted: beginning of year	49,602.71	71,304.25	120,906.96
Fund balances, restricted: end of year	$ 60,941.34	$ 66,001.34	$ 126,942.68

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

RIPLEY SCHOOL DISTRICT I-3
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE (BUILDING AND CHILD NUTRITION ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:						
Local sources	$ 76,511.48	$ 76,511.48	$ 83,707.22	$ -	$ -	$ 57,752.58
Intermediate sources	-	-	-	-	-	-
State sources	-	-	28.28	3,990.88	3,990.88	22,205.25
Federal sources	-	-	-	268,306.89	268,306.89	242,443.66
Total revenues collected	76,511.48	76,511.48	83,735.50	272,297.77	272,297.77	322,401.49
Expenditures paid:						
Instruction	53,717.32	53,717.32	-	-	-	-
Support services	7,766.18	7,766.18	7,766.18	-	-	-
Non-instruction services	-	-	-	343,502.02	343,502.02	327,604.40
Capital outlay	64,630.69	64,630.69	64,630.69	-	-	-
Other outlays	-	-	-	100.00	100.00	100.00
Total expenditures paid	126,114.19	126,114.19	72,396.87	343,602.02	343,602.02	327,704.40
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(49,602.71)	(49,602.71)	11,338.63	(71,304.25)	(71,304.25)	(5,302.91)
Adjustments to prior year encumbrances	-	-	-	-	-	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(49,602.71)	(49,602.71)	11,338.63	(71,304.25)	(71,304.25)	(5,302.91)
Fund balances, beginning of year	49,602.71	49,602.71	49,602.71	71,304.25	71,304.25	71,304.25
Fund balances, end of year	$ -	$ -	$ 60,941.34	$ -	$ -	$ 66,001.34

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

RIPLEY SCHOOL DISTRICT I-3
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
FIDUCIARY FUNDS
June 30, 2012

	Agency Fund Activity Funds
ASSETS	
Cash	$ 84,486.22
Investments	-
Due from other funds	-
Total assets	$ 84,486.22
LIABILITIES AND FUND EQUITY	
Liabilities:	
Due to student, parent and booster activities	$ 71,451.56
Due to administrative activities	13,034.66
Total liabilities	84,486.22
Fund balance:	
Restricted	-
Unassigned	-
Total fund balance	-
Total liabilities and fund balances	$ 84,486.22

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

RIPLEY SCHOOL DISTRICT I-3
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - REGULATORY BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Agency Funds			
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ACTIVITIES				
Student activities	$ 65,063.66	$ 294,144.56	$ 288,600.47	$ 71,242.58
Parent and teacher activities	1,886.15	-	1,677.17	208.98
Total activities	66,949.81	294,144.56	290,277.64	71,451.56
ADMINISTRATIVE				
Administration	7,582.23	6,317.42	5,526.93	8,372.72
Interest account	332.19	-	63.96	268.23
Community education	464.60	-	133.21	331.39
Clearing account	-	1.00	-	1.00
Petty cash fund	-	125.00	125.00	-
Elementary administration	678.91	4,746.22	4,391.37	1,033.76
Library	1,601.08	5,646.80	4,220.32	3,027.56
Child nutrition account	-	55,892.39	55,892.39	-
High school administration	113.44	626.05	507.25	232.24
High school library	417.33	2,463.00	2,477.74	402.59
Total administrative	11,189.78	75,817.88	73,338.17	13,034.66
TOTAL - ALL AGENCY FUNDS	$ 78,139.59	$ 369,962.44	$ 363,615.81	$ 84,486.22
ASSETS				
Cash - all funds	$ 78,139.59	$ 369,962.44	$ 363,615.81	$ 84,486.22
Investments	-		-	-
Total assets	78,139.59	369,962.44	363,615.81	84,486.22
LIABILITIES				
Due to activities and administrative	78,139.59	369,962.44	363,615.81	84,486.22
Total liabilities	$ 78,139.59	$ 369,962.44	$ 363,615.81	$ 84,486.22

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

Member of the American Institute of Certified Public Accountants

Member of the Oklahoma Society of Certified Public Accountants

Steven F. Cundiff
Certified Public Accountant, Inc.
205 West Seventh, Suite 201-A, P.O. Box 187
Stillwater, Oklahoma 74076
(405) 372-4822 FAX (405) 372-4828

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

The Honorable Board of Education
Ripley School District No. I-3
Ripley, Payne County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis of Ripley School District No. I-3, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 4, 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 general fixed asset account groups 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 Ripley School District No. I-3's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ripley School District No. I-3's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ripley School District No. I-3'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 significant deficiency, or 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 the 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 Ripley School District No. I-3'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.*

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.

September 4, 2012

Steven F. Cundiff

Steven F. Cundiff, CPA Inc.

Member of the American Institute of Certified Public Accountants

Member of the Oklahoma Society of Certified Public Accountants

Steven F. Cundiff
Certified Public Accountant, Inc.
205 West Seventh, Suite 201-A, P.O. Box 187
Stillwater, Oklahoma 74076
(405) 372-4822 FAX (405) 372-4828

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

The Honorable Board of Education
Ripley School District, No. I-3
Ripley, Payne County, Oklahoma

Compliance

We have audited the Ripley School District No. I-3'S compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Ripley School District No. I-3'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 Ripley School District No. I-3's management. Our responsibility is to express an opinion on Ripley School District No. I-3'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 Ripley School District No. I-3'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 Ripley School District No. I-3's compliance with those requirements.

In our opinion, Ripley School District No. I-3 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Ripley School District No. I-3 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 Ripley School District No. I-3's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the 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, State Department of Education, management and all applicable federal and state agencies and is not intended to be and should not be used by anyone other then these specified parties.

September 4, 2012

Steven F. Cundiff

Steven F. Cundiff, CPA, Inc.

RIPLEY SCHOOL DISTRICT I-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Year	Federal CFDA Number	Amount of Expenditures
Direct Programs			
Title VI-Small School	6-30-12	84.358A	31,122.00
Title VII Indian Education	6-30-12	84.060A	20,067.00
U.S. Department of Education			
Passed-through State Department of Education:			
ARRA Education Jobs Fund	6-30-12	84.410	73,735.92
REAP - Title II-Part A	6-30-12	84.367	17,538.57
Title I Basic	6-30-12	84.010	135,814.25
Special Education Cluster:			
IDEA B Flow Through	6-30-12	84.027	105,775.24
IDEA B Preschool	6-30-12	84.173	3,676.07
Total for Program (Cluster)			109,451.31
U.S. Department of Agriculture			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program-Cash Assistance	6-30-12	10.553	86,618.16
National School Lunch Program:			
Cash Assistance	6-30-12	10.555	155,825.50
Non-cash Assistance: Commodities	6-30-12	10.555	14,722.83
National School Lunch Program Subtotal			170,548.33
Total for Program (Cluster)			257,166.49
Other Federal Assistance			
Medicaid Reimbursements	6-30-12	93.778	13,601.52
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 658,497.06

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ripley School District and is presented on an other comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Expenditures of Federal Awards which is an exception to the prescribed basis of accounting.

Note C: There were no amounts passed to subrecipients.

Note D: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

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

RIPLEY SCHOOL DISTRICT I-3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	
With respect to conformity with Generally Accepted Accounting Principles	Adverse
With respect to the use of Regulatory basis of accounting and the omission of the general fixed asset group	Qualified - due to omission of the general fixed asset group
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal Control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None reported

Identification of major programs:

Name of Federal Program	CFDA Number(s)			Expenditures
Child Nutrition Cluster:				
School Breakfast Program-Cash Assistance	10.553		$ 86,618.16	
National School Lunch Program:				
Cash Assistance	10.555	$ 155,825.50		
Non-cash Assistance: Commodities	10.555	14,722.83		
Total National School Lunch Program			170,548.33	
Total for Program (Cluster)				$ 257,166.49
ARRA Education Jobs	84.391		73,735.92	

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000.00
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Ripley School District
Schedule of Expenditures of Federal Awards
6/30/2012

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Project Code	Grantor's Revenue Code	Federal CFDA #	Grant Award	Deferred Revenue/ Grant Receivable 7/1/2011	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue/ Grant Receivable 6/30/2012
US Department of Education								
Direct programs:								
Title VII Indian Education	561	4140	84.060A	20,067.00	-	20,067.00	20,067.00	-
Title VI Small Rural School Achievement Program	588	4180	84.358A	31,122.00	-	31,122.00	31,122.00	-
Passed through Oklahoma State Department of Education:								
REAP Title II Part A	586	4271	84.367	17,985.39	-	17,538.57	17,538.57	-
ARRA Education Jobs Fund	790	4683	84.410	73,735.92	-	73,735.92	73,735.92	-
Title I	511	4210	84.010	137,173.90	-	135,814.25	135,814.25	-
Special Education Cluster:								
IDEA-B Flow Through	621	4310	84.027	107,407.26	-	105,775.24	105,775.24	-
IDEA B Preschool	641	4340	84.173	3,676.07	-	3,676.07	3,676.07	-
Total for Program (Cluster)				111,083.33	-	109,451.31	109,451.31	-
US Department of Agriculture								
Pass through State Department of Education:								
Child Nutrition Cluster:								
School Breakfast Program - cash assistance	763	4720	10.553	86,618.16	-	86,618.16	86,618.16	-
National School Lunch Program:								
Cash assistance	764	4710	10.555	155,825.50	-	155,825.50	155,825.50	-
Non-cash assistance: commodities			10.555	14,722.83	-	14,722.83	14,722.83	-
National School Lunch Program subtotal				170,548.33	-	170,548.33	170,548.33	-
Total for Program (Cluster)				257,166.49	-	257,166.49	257,166.49	-
Other Federal Assistance								
Medicaid reimbursements	698	4580	93.778	13,601.52	-	13,601.52	13,601.52	-
Total				$ 661,935.55	$ -	$ 658,497.06	$ 658,497.06	$ -

Note A: Food Distribution: Nonmonetary 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 the nonmonetary assistance noted in Note A

Note C: In the prior year, the original payment notice from the Oklahoma Department of Education showed revenue coding as textbook monies to be Project Code 333 and Source of Revenue Code 3420. Subsequently, after the OCAS data was certified, the Oklahoma Department of Education determined that part of the monies were actually federal monies and should have been coded to Project 787 and Source of Revenue Code 4687. Therefore the beginning deferred revenues of $16,026.66 was received in fiscal year June 30, 2010, but spent in fiscal year June 30, 2011.

RIPLEY SCHOOL DISTRICT I-3
PAYNE COUNTY, OKLAHOMA
SCHEDULE OF CURRENT YEAR AND PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

There were no significant deficiencies or material weakness findings in the current year.

There were not significant deficiencies or material weakness findings in the prior year for follow up.

RIPLEY SCHOOL DISTRICT I-3
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 Ripley Public Schools for the audit year 2011-2012.

Steven F. Cundiff, C.P.A., Inc.
Auditing Firm

By_____
Authorized Agent

Subscribed and sworn to before me this_____day of _____, 2012.

_____
Notary Public

My Commission Expires: September 27, 2013 #01016317

Ripley School District No. I-3
Schedule of Statutory, Fidelity, and Honest Bonds
For the Year Ending June 30, 2012

Position	Bonded By	Policy Number	Term	Amount
Superintendent	Ohio Casualty Co.	5057081	7-01-11/7-01-12	$ 100,000.00
Treasurer	Ohio Casualty Co.	3686719	2-01-11/2-01-12 2-01-12/2-01-13	100,000.00
Encumbrance Clerk	Ohio Casualty Co.	5060759	7-01-11/7-01-12	100,000.00
Activity Fund Custodian	Ohio Casualty Co.	5060763	7-01-11/7-01-12	100,000.00