

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Financial Statements  
June 30, 2012  
With Independent Auditor's Report Thereon

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA  
June 30, 2012**

Table of Contents

	<u>Page</u>
School District Officials	1
Independent Auditor's Report	2-3
Combined Financial Statements	
Combined Statement of Assets, Liabilities and Fund Balance - All Fund Types and Account Groups - Regulatory Basis	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - All Governmental Fund Types - Regulatory Basis	5
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Budget and Actual - General Fund - Regulatory Basis	6
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Budget and Actual - Special Revenue Funds - Regulatory Basis	7
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance – Budget and Actual Co-op Fund – Regulatory Basis	8
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance – Budget and Actual – Debt Service Fund –Regulatory Basis	9
Notes to Combined Financial Statements	10-22

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA  
June 30, 2012**

Table of Contents

	<u>Page</u>
Combining Financial Statements	
Combining Statement of Assets, Liabilities and Fund Balance - Fiduciary Fund Types - Regulatory Basis	23
Combining Statement of Changes in Assets, Liabilities and Fund Equity - All Agency Funds - Regulatory Basis	24-25
Supporting Schedules	
Schedule of Expenditures of Federal Awards - Statutory Basis	26
Schedule of Accountant's Professional Liability Insurance Affidavit	27
Compliance and Internal Control	
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	28-29
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	30-31
Schedule of Findings and Questioned Costs	32-33

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

School District Officials

June 30, 2012

Board of Education

President

Charlie Hall

Vice-President

Beth Crabtree

Member – Clerk

Donald James

Member

Frank Patton

School District Treasurer/Minute Clerk

Phillip Nuner

Encumbrance Clerk

Amy Scott

Superintendent of Schools

Kevin Flowers

# **JOHNSTON & BRYANT**

Certified Public Accountants

P.O. Box 1564  
Ada, Oklahoma 74821-1564  
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Pete Johnston, C.P.A.  
Allen Bryant, Jr., C.P.A.

MEMBER  
American Institute of Certified Public Accountants  
Oklahoma Society of Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Education  
Stonewall Independent School District Number I-30  
Stonewall, Pontotoc County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Stonewall School District No. I-30, Pontotoc 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 Stonewall School District, No. I-30, Pontotoc 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 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 were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from 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 addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amounts that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

Stonewall Independent School District I-30  
Pontotoc County, Oklahoma

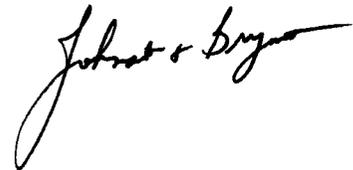
In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stonewall Independent School District, No. I-30, Pontotoc County, Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, the liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Stonewall School District No. I-30, Pontotoc County, Oklahoma, as of June 30, 2012, and the revenues collected, expenditures paid/expensed, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with Governmental Auditing Standards, we have also issued our report dated August 13, 2012, on our consideration of the Stonewall Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards, the combining statements and schedules and other schedules as listed in the table of contents under other supplementary information have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

August 13, 2012



COMBINED FINANCIAL STATEMENTS

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
 Combined Statement of Assets, Liabilities and Fund Balance  
 All Fund Types and Account Groups - Regulatory Basis  
 June 30, 2012

	Governmental Fund Types			
	General	Special Revenue/ Building	Debt Service	Co-Op
<b><u>ASSETS AND OTHER DEBITS</u></b>				
Cash and Cash Equivalents	\$ 736,942	\$ 63,131	\$ 18,873	\$ (51,751)
Amounts Available In Debt Services Fund	-	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 736,942</u>	<u>\$ 63,131</u>	<u>\$ 18,873</u>	<u>\$ (51,751)</u>
<b><u>LIABILITIES AND FUND BALANCE:</u></b>				
<b><u>LIABILITIES:</u></b>				
Warrants Payable	\$ 141,377	\$ 2,495	\$ -	\$ -
Encumbrances	-	-	-	-
Long-Term Debt Bonds Payable	-	-	-	-
TOTAL LIABILITIES	<u>141,377</u>	<u>2,495</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE:</u></b>				
Designated	-	-	18,873	-
Undesignated	<u>595,565</u>	<u>60,636</u>	<u>-</u>	<u>(51,751)</u>
TOTAL FUND BALANCE	<u>595,565</u>	<u>60,636</u>	<u>18,873</u>	<u>(51,751)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 736,942</u>	<u>\$ 63,131</u>	<u>\$ 18,873</u>	<u>\$ (51,751)</u>

The accompanying notes are an integral part of this statement.

Fiduciary Fund Types	Account Group	Totals
Trust and Agency	Long-Term Debt	(Memorandum Only)
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 52,708	\$ -	\$ 819,903
-	18,873	18,873
<u>-</u>	<u>236,127</u>	<u>236,127</u>
<u>\$ 52,708</u>	<u>\$ 255,000</u>	<u>\$ 1,074,903</u>
\$ -	\$ -	\$ 143,872
-	-	-
<u>-</u>	<u>255,000</u>	<u>255,000</u>
<u>-</u>	<u>255,000</u>	<u>398,872</u>
-	-	18,873
<u>52,708</u>	<u>-</u>	<u>657,158</u>
<u>52,708</u>	<u>-</u>	<u>676,031</u>
<u>\$ 52,708</u>	<u>\$ 255,000</u>	<u>\$ 1,074,903</u>

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
 Combined Statement of Revenues Collected, Expenditures Paid and  
 Changes in Fund Balances - Regulatory Basis  
 All Governmental Fund Types  
 Year Ended June 30, 2012

	Governmental Fund Types			
	General	Special Revenue/ Building	Debt Service	Co-Op
<b><u>REVENUES COLLECTED:</u></b>				
District Sources	\$ 720,850	\$ 74,780	\$ 26,213	\$ -
Intermediate Sources	64,799	-	-	-
State Sources	2,327,020	-	-	16,968
Federal Sources	956,214	-	-	55,026
<b>TOTAL REVENUE COLLECTED</b>	<b>4,068,883</b>	<b>74,780</b>	<b>26,213</b>	<b>71,994</b>
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	2,135,240	-	-	16,968
Support Services	1,572,294	73,750	-	50,282
Non-Instruction Services	345,102	-	-	-
Capital Outlay	186	15,000	-	-
Other	15,718	-	-	1,469
Debt Service	-	-	27,811	-
<b>TOTAL EXPENDITURES PAID</b>	<b>4,068,540</b>	<b>88,750</b>	<b>27,811</b>	<b>68,719</b>
Excess of Revenues Collected Over (Under) Expenditures Paid	343	(13,970)	(1,598)	3,275
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating Transfers In	-	-	-	-
Excess of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	343	(13,970)	(1,598)	3,275
Fund Balance, Beginning of Year	595,222	74,606	20,471	(55,026)
Fund Balance, End of Year	<b>\$ 595,565</b>	<b>\$ 60,636</b>	<b>\$ 18,873</b>	<b>\$ (51,751)</b>

The accompanying notes are an integral part of this statement.

Total  
(Memorandum  
Only)  
          

\$ 1,011,843  
    64,799  
  2,343,988  
  1,011,240

4,431,870

2,152,208  
1,696,326  
  345,102  
  205,186  
   17,187  
   27,811

4,443,820

(11,950)

          -

(11,950)

  635,273

\$ 623,323

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual - Regulatory Basis  
Budgeted Governmental Fund Types – General Fund  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUE COLLECTED:</u></b>				
District Sources	\$ 441,269	\$ 560,103	\$ 720,850	\$ 160,747
Intermediate Sources	52,296	52,296	64,799	12,503
State Sources	2,198,923	2,198,923	2,327,020	128,097
Federal Sources	164,421	674,138	956,214	282,076
<b>TOTAL REVENUE COLLECTED</b>	<b>2,856,909</b>	<b>3,485,460</b>	<b>4,068,883</b>	<b>583,423</b>
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	1,530,911	2,147,243	2,135,240	12,003
Support Services	1,572,370	1,572,370	1,572,294	76
Non-Instruction Services	332,900	345,119	345,102	17
Capital	200	200	186	14
Other Outlay	15,750	15,750	15,718	32
<b>TOTAL EXPENDITURES PAID</b>	<b>3,452,131</b>	<b>4,080,682</b>	<b>4,068,540</b>	<b>12,142</b>
Excess of Revenue Collected Over (Under) Expenditures Paid	(595,222)	(595,222)	343	595,565
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(595,222)	(595,222)	343	595,565
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>595,222</b>	<b>595,222</b>	<b>595,222</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 595,656</b>	<b>\$ 595,656</b>

The accompanying notes are an integral part of this statement.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual - Regulatory Basis  
Budgeted Governmental Fund Types – Special Revenue/Building  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUE COLLECTED:</u></b>				
District Sources	\$ 62,989	\$ 62,989	\$ 74,780	\$ 11,791
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
<b>TOTAL REVENUE COLLECTED</b>	<b>62,989</b>	<b>62,989</b>	<b>74,780</b>	<b>11,791</b>
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	-	-	-	-
Support Services	122,595	122,595	73,750	48,845
Non-Instruction Services	-	-	-	-
Capital Outlay	15,000	15,000	15,000	-
Other Outlays	-	-	-	-
<b>TOTAL EXPENDITURES PAID</b>	<b>137,595</b>	<b>137,595</b>	<b>88,750</b>	<b>48,845</b>
Excess of Revenue Collected Over (Under) Expenditures Paid	(74,606)	(74,606)	(13,970)	60,636
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(74,606)	(74,606)	(13,970)	60,636
FUND BALANCE, BEGINNING OF YEAR	74,606	74,606	74,606	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,636</u>	<u>\$ 60,636</u>

The accompanying notes are an integral part of this statement.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual - Regulatory Basis  
Budgeted Governmental Fund Types – Co-Op Fund  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUE COLLECTED:</u></b>				
District Sources	\$ -	\$ -	\$ -	\$ -
Intermediate Sources	-	-	-	-
State Sources	-	16,968	16,968	-
Federal Sources	-	51,751	55,026	3,275
	-	68,719	71,994	3,275
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	-	16,968	16,968	-
Support Services	-	50,282	50,282	-
Non-Instruction Services	-	-	-	-
Capital Outlay	-	-	-	-
Other Outlays	-	1,469	1,469	-
	-	68,719	68,713	-
Excess of Revenue Collected Over (Under) Expenditures Paid		-	3,275	3,275
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	-	-	3,275	3,275
FUND BALANCE, BEGINNING OF YEAR	-	-	(55,026)	(55,026)
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ (51,751)	\$ (51,751)

The accompanying notes are an integral part of this statement.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual - Regulatory Basis  
Budgeted Governmental Fund Types – Debt Service Fund  
Year Ended June 30, 2012

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUE COLLECTED:</u></b>			
District Sources	\$ 24,214	\$ 26,213	\$ 1,999
Intermediate Sources	-	-	-
State Sources	-	-	-
Federal Sources	-	-	-
	<u>24,214</u>	<u>26,213</u>	<u>1,999</u>
<b>TOTAL REVENUE COLLECTED</b>			
<b><u>EXPENDITURES PAID:</u></b>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Debt Service	27,811	27,811	-
	<u>27,811</u>	<u>27,811</u>	<u>-</u>
<b>TOTAL EXPENDITURES PAID</b>			
Excess of Revenue Collected Over (Under) Expenditures Paid	(3,597)	(1,598)	1,999
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(3,597)	(1,598)	1,999
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>20,471</u>	<u>20,471</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 16,874</u>	<u>\$ 18,873</u>	<u>\$ 1,999</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Stonewall Public Schools Independent School District No. I-30 (the "District") have been prepared in conformity with another comprehensive basis of accounting prescribed or permitted by Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

**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 composed of elected members. The appointed Superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basis -- but not the only -- criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involved 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.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

**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 Fund** - The special revenue fund of the District consists of the Building 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.

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**Debt Service Fund** - 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 earning 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.

**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 fund).

**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 principle. 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 fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

**Account Groups**

Account Groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**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.

**General Fixed Asset Account Group** - This account group is used to account for property, plant and equipment of the school district.

**Memorandum Only - Total Column**

The total column on the combined financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**C. Basis of Accounting**

The District prepares its basic 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 by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting**

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.

**D. Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at June 30, 2012 that were provided for in the subsequent year's budget are:

General Fund	\$	-
Special Revenue Fund		-
Capital Projects Fund		-
		-
Total	\$	-

**E. Budgets and Budgetary Accounting**

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures.

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.

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Assets, Liabilities and Fund Balance**

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Investments** - Investments consist of the purchase of Certificates of Deposit. All investments are recorded at cost.

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

**Fixed Assets and Property, Plant and Equipment** - The General Fixed Assets Account Group is not presented.

**Compensated Absences** - The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

**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.

**Due to Activity Groups** - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

**Reserved for Debt Service** - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District).

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

**G. Revenue, Expenses and Expenditures**

**Local Sources** - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**Intermediate Sources** - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

**State Sources** - 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 revenues from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked 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 revenue be accounted for in the general fund.

**Federal Sources** - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

**Instruction Expenditures** - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

**Support Services Expenditures** - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

**Operation of Non-Instructional Services Expenditures** - This expenditures category consists of activities which provide non-instructional services to students, staff or the community.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**Capital Outlays** - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

**Other Outlays** - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

**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.

**H. Statement of Cash Flows**

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2012 accompanying financial statements.

**I. 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 statement and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

**Note 2. Property Taxes**

The District's ad valorem property tax is levied each October 1 on the assessed value listed for all real, business personal and public service property located in the District. The assessed value of the certified roll, upon which the levy for the 2012 fiscal year was based, was \$13,189,461. On February 13, 2001, voters of the school district voted to make all current support levies permanent.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 3. 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 bank 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, the district's investment policy is as follows:

The board of education believes that sound money management includes the proper investment of funds. The board shall set aside from the operating account to be deposited in an investment account.

The school district treasurer shall be required to satisfactorily complete an investment education program approved by the State Department of Education. Such program shall be designed to allow treasurers to make informed decisions regarding the safety, return, liquidity, costs and benefits of various investment options allowed by state law.

When making investments the district treasurer shall consider liquidity, diversification, safety of principal, yield, maturity, quality, of the investment, and capability of the investment management. The primary emphasis shall be on safety and liquidity of the investment funds.

The school district treasurer is directed to consider investment of such funds the best choice possible:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the United States Government or state of Oklahoma is pledged.
2. Certificates of deposit of banks when such deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or savings certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral of the United States Government or the State of Oklahoma.
5. County, municipal, or school district direct obligations for which ad-valorem tax may be levied.
6. Money market mutual funds regulated by the Securities and Exchange Commission.

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2012

**Note 3. Cash and Investments (continued)**

7. Warrants, bonds, or judgments of the school district.

These funds are to be invested with a financial institution as defined in state school law. Competitive bidding shall be utilized in the investment of school funds.

Interest income received from investment of such monies may be placed in the General Fund to be used for general operations, Sinking Fund or the Building Fund from which the investment was made. The income from such investments is to be placed in the funds as determined by the board of education.

At the discretion of the board, a qualified pooled investment program that has been approved by the State Department of Education may be used for district investments.

The board will review the investment performance of the district treasurer or the pooled program on a regular basis and no less than once each month.

Credit Risk is the risk that an issuer or other counter part to an investment will not fulfill its obligation. Generally, the school's investments are managed under the custody of the school's treasurer. Investing is performed in accordance with the school's investment policy as described above. As of June 30, 2012 the school's investments were deposited in local banks in bank accounts and certificates of deposits. These deposits are in one bank and are entirely insured by the FDIC up to its limits, with the individual bank pledging securities for the deposits in excess of the FDIC limits. As such at June 30, 2012 the school was not subject to custodial credit risk. However, the school is subject to concentration of Credit Risk since one bank has a deposit in excess of five percent of the school's total investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods of time are subject to increased risk of adverse interest rate changes. The School's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The school's investments are held in bank accounts and certificates of deposits which are short term to minimize Interest Rate Risk to as low of level as possible.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 3. Cash and Investments (continued)**

The District's deposits and investments are in one financial institution as follows:

	<u>Bank Balance</u>	<u>Pledged Collateral</u>	<u>FDIC Insurance</u>
First American Bank, Stonewall, Oklahoma	\$ 819,903	\$ 669,349	\$ 250,000
Total Deposits	<u>\$ 819,903</u>	<u>\$ 669,349</u>	<u>\$ 250,000</u>

**Note 4. Contingencies**

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.

**Note 5. Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 6. 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 the approval by the District 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 10 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.

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2012

**Note 6. General Long-Term Debt (continued)**

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

<u>Obligation</u>	<u>Balance Outstanding 6-30-11</u>	<u>Issued (Retired) During Year</u>	<u>Balance Outstanding 6-30-12</u>
2004 GO Bonds	\$ 90,000	\$ (25,000)	\$ 65,000
2011 GO Bonds	-	190,000	190,000
Totals	<u>\$ 90,000</u>	<u>\$ (165,000)</u>	<u>\$ 255,000</u>

The annual requirements to retire general obligation bonds as of June 30, 2012 are as follows:

<u>Payment Due Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 25,000	\$ 3,486	\$ 28,486
2014	230,000	1,425	231,425
Totals	<u>\$ 255,000</u>	<u>\$ 4,911</u>	<u>\$ 259,911</u>

**Note 7. Employee Retirement System**

Plan Description - The district participates in the Oklahoma Teacher's Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teacher's Retirement System (the "System"). The System, provides retirement and disability benefits, annual

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

**Note 7      Employee Retirement System (continued)**

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 Teacher's 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 Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405)521-2387.

The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2012.

**Note 8      Employee Bonding**

The treasurer is bonded by Western Surety Company for the sum of \$1,000,000.

The encumbrance clerk is bonded by Western Surety Company for the sum of \$1,000.

The activity fund custodian is bonded by Western Surety Company for the sum of \$1,000.

The superintendent is bonded by Western Surety Company for the sum of \$100,000.

**Note8      Co-op Fund**

The deficit in the Co-op Fund was fully collected in the subsequent fiscal year

COMBINING FINANCIAL STATEMENTS

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Combining Statement of Assets, Liabilities and Fund Balance  
Fiduciary Funds – Regulatory Basis  
June 30, 2012

	<u>Agency Fund/ Activity Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 58,069
TOTAL ASSETS	<u>\$ 58,069</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b><u>LIABILITIES:</u></b>	
Outstanding Warrants	\$ 5,361
TOTAL LIABILITIES	<u>5,361</u>
 <b><u>FUND BALANCE:</u></b>	
Designated Student Groups	30,854
Undesignated	<u>21,854</u>
	<u>52,708</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 58,069</u>

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Combining Statement of Changes in Assets, Liabilities, and Fund Equity  
All Agency Funds – Regulatory Basis  
Year Ended June 30, 2012

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Disbursed</u>	<u>Balance 6/30/2012</u>
<b><u>ASSETS:</u></b>				
School Activity Fund				
Cash and Investments	\$ 53,495	\$ 192,628	\$ 188,054	\$ 58,069
TOTAL ASSETS	<u>\$ 53,495</u>	<u>\$ 192,628</u>	<u>\$ 188,054</u>	<u>\$ 58,069</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities/Outstanding Checks	\$ 6,663	\$ -	\$ 1,302	\$ 5,361
TOTAL LIABILITIES	<u>6,663</u>	<u>-</u>	<u>1,302</u>	<u>5,361</u>
Fund Equity				
Unreserved/Undesignated	16,012	109,363	103,521	21,854
Designated Student Groups	30,820	83,265	83,231	30,854
TOTAL FUND EQUITY	<u>46,832</u>	<u>192,628</u>	<u>186,752</u>	<u>52,708</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 53,495</u>	<u>\$ 192,628</u>	<u>\$ 188,054</u>	<u>\$ 58,069</u>

**STONEWALL PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
 Detail of Activity Funds – Regulatory Basis  
 Year Ended June 30, 2012

	Balance 6/30/2011	Deposited	Disbursed	Balance 6/30/2012
Athletics	\$ 4,016	\$ 89,579	\$ 82,118	\$ 11,477
General	864	503	749	618
McLish Athletics	1,584	2,257	3,271	569
Seniors 11	1	-	-	1
8th Grade Prom	179	-	-	179
Elementary AR	1,275	6,043	4,423	2,894
2009 8th Grade Prom	1,244	-	-	1,244
FFA	5,422	19,134	22,596	1,960
HS Pop	577	1,610	1,033	1,154
Trees	4,952	1,864	4,494	2,322
Elem POP	9,313	19,281	19,750	8,843
Pre-K	1,068	88	355	801
4-H Club	287	-	-	287
HS English	369	-	-	369
Picnic	686	767	772	680
BPA	574	4,014	4,192	396
Cheerleaders	1,131	6,983	6,597	1,516
Mini Grant	458	3,084	3,527	15
After School	166	608	-	774
McKoy Scholarship	-	200	-	200
Academic Team	122	-	60	62
Yearbook	7,642	5,143	4,954	7,832
Child Nutrition	-	17,713	17,713	-
Speech/Drama	2,074	-	-	2,074
Multimedia	437	-	-	437
11-12 Junior Class	-	8,610	3,196	5,414
Impact	1,378	-	904	474
Senior Class 11-12	1,010	5,150	6,048	11
McLish	3	-	-	3
	<u>\$ 46,832</u>	<u>\$ 192,628</u>	<u>\$ 186,752</u>	<u>\$ 52,708</u>

**SUPPORTING SCHEDULES**

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT No. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA No.	Pass Through Grantor's Number	Balance of Funds to Receive June 30, 2011
<b><u>U.S. Department of Education Direct Programs:</u></b>			
Impact Aid P.L. 874	84.041	46-OK-2012-2701	\$ -
Teaching American History Grant	84.215X	U215X080116	18,369
Indian Education Title VII	84.060A	S060A001190	-
TOTAL U.S. DEPARTMENT OF EDUCATION			18,369
<b><u>Passed Through State Department of Education:</u></b>			
Special Education Flow Throuh	84.027	N/A	91,365
21st Century	84.287	N/A	51,191
Indian Ed - J.O.M.	15.630	N/A	7,800
Title VI - Small Rural School	84.358	N/A	14,664
Title II - Part A Reap	84.367	N/A	31,341
School Improvement	84.010	N/A	-
Title I - Part A - Basic	84.010	N/A	-
Title II - Part D	84.318	N/A	391
Preschool age 3-5 P.L. 105-17 IDEA PART B	84.173	N/A	-
Job Training OJT	84.126	N/A	-
ARRA Education Jobs Fund	84.410	N/A	91,054
TOTAL DEPARTMENT OF EDUCATION			287,806
<b><u>Passed Through U.S. Department of Agriculture:</u></b>			
Child Nutrition - Summer Food Services	10.559	N/A	-
Child Nutrition - Lunches	10.555	N/A	-
Child Nutrition - Breakfasts	10.553	N/A	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-
<b><u>Passed Through State Department of Vocational and Technical Education</u></b>			
Carl D. Perkins	84.048	N/A	55,026
Total State of Oklahoma - Vo-Tech			55,026
<b><u>Passed Through U.S. Department of Human Services</u></b>			
Commodity Supplemental Food Program	10.565	N/A	-
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 361,201</b>

Receipts For Prior Year Expenditures	Receipts For Current Year Expenditures	Current Year Expenditures	Balance of Funds to Receive June 30, 2012
\$ -	\$ 23,879	\$ 23,879	\$ -
18,369	59,766	100,444	-
-	33,105	33,105	-
18,369	116,750	157,428	-
91,365	104,926	110,878	5,952
51,191	81,107	111,790	31,366
7,800	-	7,513	7,513
14,664	14,736	14,736	-
31,341	24,134	24,134	-
-	8,091	9,570	5,375
50,635	62,405	116,467	54,062
391	-	-	-
-	1,346	2,624	1,278
-	5,981	5,981	-
91,054	-	-	-
338,441	302,726	403,693	105,546
5,622	-	-	-
-	113,134	113,134	-
-	48,954	48,954	-
5,622	162,088	162,088	-
55,026	-	51,751	51,751
55,026	-	51,751	51,751
-	12,218	12,218	-
-	12,218	12,218	-
\$ 417,458	\$ 593,782	\$ 787,178	\$ 157,297

**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2012

**Note 1:** The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Stonewall Public Schools, I-30, Pontotoc County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

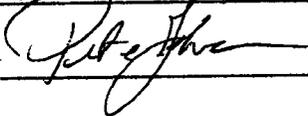
The Teaching American History Grant was passed through to East Central Oklahoma State University, Ada Oklahoma.

**SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT**

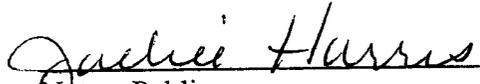
**STONEWALL PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-30  
PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Accountant's Professional Liability Insurance Affidavit  
July 1, 2011 to June 30, 2012

STATE OF OKLAHOMA    )  
  )ss  
COUNTY OF PONTOTOC    )

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 agreement with the Stonewall Public Schools for the audit year 2011-2012.

Johnston and Bryant, C.P.A.'S  
By 

Subscribed and sworn to before me this the 21st day of. September, 2012.

  
Notary Public

My commission expires 11-17-12.  
Commission No. 08011655



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

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

The Board of Education  
Stonewall Independent School District Number I-30  
Stonewall, Pontotoc County, Oklahoma

We have audited the financial statements of Stonewall Independent School District No. I-30, Pontotoc County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated August 13, 2012. As stated in our report, the financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from accounting principals generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. 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 Stonewall Independent School District'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 Stonewall Independent School 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 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.

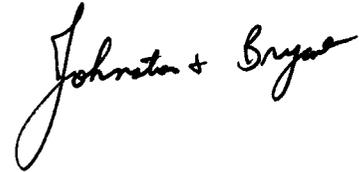
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Stonewall Independent School District's financial statements are free of material misstatements, 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 disclose 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 management, others within the organization, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 13, 2012

A handwritten signature in cursive script, appearing to read "Johnston + Bryan".

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Education  
Stonewall Independent School District Number I-30  
Stonewall, Pontotoc County, Oklahoma

**Compliance**

We have audited the compliance of Stonewall Independent School 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. Stonewall Independent School District's major federal programs are identified in the summary of auditors' 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 Stonewall Independent School District's management. Our responsibility is to express an opinion on Stonewall Independent School District's compliance based on our audit.

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

In our opinion, Stonewall Independent School District 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**

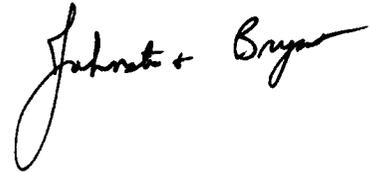
Management of Stonewall Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Stonewall Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 management, others within the organization, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 13, 2012

A handwritten signature in black ink, appearing to read "John + Bryan". The signature is written in a cursive, flowing style with a large loop at the end.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**STONEWALL INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Qualified

Internal Control over financial reporting

Material weaknesses identified  Yes  No

Significant Deficiencies identified that are not considered to be material weaknesses  Yes  None Noted

Noncompliance material to financial statements noted  Yes  No

Findings relating to the financial statements which are required to be reported in accordance with GAGAS  Yes  None Noted

Federal Awards

Internal control over major programs: Unqualified

Material weaknesses identified  Yes  No

Significant Deficiencies identified that are not considered to be material weaknesses  Yes  No

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 section 510 (a) of Circular A-133  Yes  No

Findings and questioned costs for Federal Awards  Yes  None Noted

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84-287	21 <sup>st</sup> Century
84-010	Title 1 Basic
84-010	School Improvement
84-041	Impact Aid

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000  
 Auditee qualified as low-risk auditee?  Yes  No

**STONEWALL INDEPENDENT SCHOOL DISTRICT NO. I-30**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Status of Prior Year Audit Findings:

None

Current Year Audit Findings

None