

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
THOMAS-FAY-CUSTER
UNIFIED INDEPENDENT SCHOOL DISTRICT
NO. I-07
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2012**

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07

CUSTER COUNTY, OKLAHOMA

JUNE 30, 2012

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THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07

CUSTER COUNTY, OKLAHOMA

JUNE 30, 2012

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**THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JULY 1, 2011 THROUGH JUNE 30, 2012**

Board of Education

President	Kent Switzer
Vice-President	Brandon Miller
Clerk	Shae Mannering
Member	Richard Bright
Member	Jet Tharp

School District Treasurer

Debbie Hamar

Superintendent of Schools

Rob Royalty



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
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**INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS**

The Honorable Board of Education
Thomas-Fay-Custer Unified Independent School District No. I-07
Thomas, Custer County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, as listed in the table of contents, as of and for the year ended June 30, 2012. These financial statements are the responsibility of Thomas-Fay-Custer Unified Independent School District No. I-07, 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

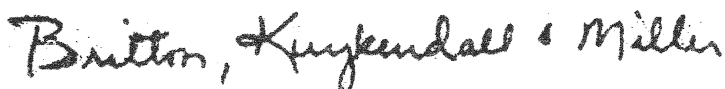
As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, because of the School's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, as of June 30, 2012, or the results of its operations for the year then ended.

However, in our opinion, except for the omission of the general fixed asset account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, as of June 30, 2012, and the revenues it received and expenditures it paid 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 December 4, 2012, on our consideration of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma'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 an opinion on the fund type and account group financial statements of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, taken as a whole. The accompanying Combining Financial Statements and the Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements referred to above and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 4, 2012

COMBINED FINANCIAL STATEMENTS
OF
THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2012

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>ASSETS</u>			
Cash and Investments	\$ 870,074.70	\$ 148,945.28	\$ 22,408.83
Amount available in debt service fund	0.00	0.00	0.00
Amount to be provided for retirement of general long-term debt	0.00	0.00	0.00
Total Assets	\$ 870,074.70	\$ 148,945.28	\$ 22,408.83
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants payable	\$ 214,252.09	\$ 15,284.45	\$ 0.00
Encumbrances	0.00	0.00	0.00
Due to others	0.00	0.00	0.00
General obligation bonds payable	0.00	0.00	0.00
Capital Lease Payable	0.00	0.00	0.00
Judgment Payable	0.00	0.00	0.00
Total Liabilities	214,252.09	15,284.45	0.00
Fund Equity:			
Unreserved:			
Designated for capital projects	0.00	0.00	0.00
Designated for debt service	0.00	0.00	22,408.83
Undesignated	655,822.61	133,660.83	0.00
Total fund balances	655,822.61	133,660.83	22,408.83
Total Liabilities and Fund Balances	\$ 870,074.70	\$ 148,945.28	\$ 22,408.83

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

Schedule 1-00

Governmental Fund Types Capital Projects	Fiduciary Fund Types Trust and Agency	Account Group General Long- Term Debt	Total (Memorandum Only - Note 1) 2012
\$ 637.84	\$ 104,533.16	\$ 0.00	\$ 1,146,599.81
0.00	0.00	22,408.83	22,408.83
0.00	0.00	4,277,891.17	4,277,891.17
<u>\$ 637.84</u>	<u>\$ 104,533.16</u>	<u>\$ 4,300,300.00</u>	<u>\$ 5,446,899.81</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 229,536.54
0.00	0.00	0.00	0.00
0.00	104,533.16	0.00	104,533.16
0.00	0.00	550,000.00	550,000.00
0.00	0.00	3,750,300.00	3,750,300.00
0.00	0.00	0.00	0.00
0.00	104,533.16	4,300,300.00	4,634,369.70
637.84	0.00	0.00	637.84
0.00	0.00	0.00	22,408.83
0.00	0.00	0.00	789,483.44
637.84	0.00	0.00	812,530.11
<u>\$ 637.84</u>	<u>\$ 104,533.16</u>	<u>\$ 4,300,300.00</u>	<u>\$ 5,446,899.81</u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types				Total (Memorandum Only - Note 1) 2012
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Local sources	\$ 1,384,087.33	\$ 243,307.47	\$ 547,469.32	\$ 637.84	\$ 2,175,501.96
Intermediate sources	107,644.83	0.00	0.00	0.00	107,644.83
State sources	1,904,284.24	26,165.02	20.55	0.00	1,930,469.81
Federal Sources	256,682.70	136,488.25	0.00	0.00	393,170.95
Total Revenues Collected	<u>3,652,699.10</u>	<u>405,960.74</u>	<u>547,489.87</u>	<u>637.84</u>	<u>4,606,787.55</u>
Expenditures:					
Instruction	2,290,956.91	0.00	0.00	0.00	2,290,956.91
Support services	1,282,228.42	180,943.56	0.00	0.00	1,463,171.98
Non - Instructional services	1,451.49	190,797.67	0.00	0.00	192,249.16
Capital outlay	0.00	11,500.00	0.00	539,250.00	550,750.00
Other outlays		0.00	0.00	10,750.00	10,750.00
Debt service:					
Principal retirement	0.00	0.00	550,000.00	0.00	550,000.00
Interest and fiscal agent charges	0.00	0.00	14,300.00	0.00	14,300.00
Judgments paid	0.00	0.00	0.00	0.00	0.00
Total Expenditures	<u>3,574,636.82</u>	<u>383,241.23</u>	<u>564,300.00</u>	<u>550,000.00</u>	<u>5,072,178.05</u>
Excess of revenue over (under) expenditures	78,062.28	22,719.51	(16,810.13)	(549,362.16)	(465,390.50)
Adjustments to prior year encumbrances		0.00	0.00	0.00	0.00
Other financing sources (uses):					
Bond sale proceeds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>550,000.00</u>	<u>550,000.00</u>
Excess of revenues and other sources over (under) expenditures and other uses	78,062.28	22,719.51	(16,810.13)	637.84	84,609.50
Beginning fund balance	<u>577,760.33</u>	<u>110,941.32</u>	<u>39,218.96</u>	<u>0.00</u>	<u>727,920.61</u>
Ending fund balance	<u>\$ 655,822.61</u>	<u>\$ 133,660.83</u>	<u>\$ 22,408.83</u>	<u>\$ 637.84</u>	<u>\$ 812,530.11</u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
CUSTER COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	\$ 577,760.33	\$ 577,760.33	\$ 577,760.33
Revenues:			
Local sources	1,236,163.58	1,236,163.58	1,384,087.33
Intermediate sources	100,065.84	100,065.84	107,644.83
State sources	1,768,827.79	1,768,827.79	1,904,284.24
Federal sources	215,588.45	324,122.45	256,682.70
Total Revenue, budgetary basis	3,320,645.66	3,429,179.66	3,652,699.10
Expenditures:			
Instruction	2,341,202.70	2,449,736.70	2,290,956.91
Support services	1,312,783.69	1,312,783.69	1,282,228.42
Non - Instructional services	1,451.49	1,451.49	1,451.49
Capital Outlay	0.00	0.00	0.00
Other Outlays	242,968.11	242,968.11	0.00
Debt Service:			
Principal retirement	0.00	0.00	0.00
Interest and fiscal agent charges	0.00	0.00	0.00
Judgments paid	0.00	0.00	0.00
Total Expenditures, budgetary basis	3,898,405.99	4,006,939.99	3,574,636.82
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	655,822.61
Other financing sources (uses):			
Bond sale proceeds	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	655,822.61
Adjustments to prior year encumbrances	0.00	0.00	0.00
Ending fund balances	\$ 0.00	\$ 0.00	\$ 655,822.61

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

Special Revenue Funds			Debt Service Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ 110,941.32	\$ 110,941.32	\$ 110,941.32	\$ 39,218.96	\$ 39,218.96	\$ 39,218.96
217,775.74	217,775.74	243,307.47	525,081.04	525,081.04	547,469.32
0.00	0.00	0.00	0.00	0.00	0.00
34,956.14	34,956.14	26,165.02	0.00	0.00	20.55
114,511.37	114,511.37	136,488.25	0.00	0.00	0.00
<u>367,243.25</u>	<u>367,243.25</u>	<u>405,960.74</u>	<u>525,081.04</u>	<u>525,081.04</u>	<u>547,489.87</u>
0.00	0.00	0.00	0.00	0.00	0.00
180,943.56	180,943.56	180,943.56	0.00	0.00	0.00
190,797.67	190,797.67	190,797.67	0.00	0.00	0.00
11,500.00	11,500.00	11,500.00	0.00	0.00	0.00
94,943.34	94,943.34	0.00	0.00	0.00	0.00
0.00	0.00	0.00	550,000.00	550,000.00	550,000.00
0.00	0.00	0.00	14,300.00	14,300.00	14,300.00
0.00	0.00	0.00	0.00	0.00	0.00
<u>478,184.57</u>	<u>478,184.57</u>	<u>383,241.23</u>	<u>564,300.00</u>	<u>564,300.00</u>	<u>564,300.00</u>
0.00	0.00	133,660.83	0.00	0.00	22,408.83
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
0.00	0.00	133,660.83	0.00	0.00	22,408.83
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 133,660.83</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 22,408.83</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

OF

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies**

The basic financial statements of the Thomas-Fay-Custer Unified Independent School District No. I-07, Custer county, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

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 basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Salary 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 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.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Significant Accounting Policies, (Continued)

Special Revenue Fund - Continued

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries. The District also deposits monies received from the National School Lunch and Breakfast programs into this fund.

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.

Permanent Fund - Permanent Funds account for restricted resources where the District is under an obligation to maintain the trust principal. Although the principal may not be expended, the interest generated from these funds is to be used for scholarships. The District currently has no permanent 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 trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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, for collecting, disbursing and accounting for these activity funds.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

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 have the information necessary to include this group in its combined financial statements.

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, 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 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 differs significantly from that required by GASB 34.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Significant Accounting Policies, (Continued)

Basis of Accounting, (Continued)

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 as follows:

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types.

D. Budgets and Budgetary Accounting

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 second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If 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.

The District may upon approval by a majority of the electors of the District voting on the question make the advalorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Significant Accounting Policies, (Continued)

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States Government and Agencies or 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 tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes 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 - 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 Asset Account Group is not presented.

Compensated Absences - The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

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

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Significant Accounting Policies, (Continued)

F. 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 adjustments are 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine 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.

G. 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.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Deposits - The District's cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the District at year end as follows:

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the District or by its agent in the District's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

(C) Uncollateralized

	Category			Bank Balance
	(A)	(B)	(C)	
Cash	\$ 831,615.72	\$ 314,984.09	\$ 0.00	\$ 1,146,599.81
Investments	0.00	0.00	0.00	0.00
Total	<u>\$ 831,615.72</u>	<u>\$ 314,984.09</u>	<u>\$ 0.00</u>	<u>\$ 1,146,599.81</u>

Investments - Investments consist of certificates of deposit or direct obligations of the United States Government and Agencies at June 30, 2012, and are categorized to give an indication of the level of risk assumed by the District.

3. Investment Income

Investment income deposits are receipted as allocated by the Treasurer. School District Funds held by the Treasurer are required to be invested in accordance with Title 70 of the Oklahoma Statutes. Interest income on cash funds totaled \$3,719.83.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 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, early retirement incentives, and a capital lease. Debt service requirements for bonds payable are 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:

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, 7/1/11	\$ 550,000.00	\$ 4,289,550.00	\$ 4,839,550.00
Additions	550,000.00	0.00	550,000.00
Retirements	<u>550,000.00</u>	<u>539,250.00</u>	<u>1,089,250.00</u>
Balance 6/30/12	\$ <u>550,000.00</u>	\$ <u>3,750,300.00</u>	\$ <u>4,300,300.00</u>

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

	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
11 Building Bonds	07-01-13	\$ <u>550,000.00</u>	\$ <u>550,000.00</u>	1.0%
Total Bonds		\$ <u>550,000.00</u>	\$ <u>550,000.00</u>	

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 1-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

General Long-Term Debt (Continued)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-2013	\$ 0.00	\$ 5,500.00	\$ 5,500.00
6-30-2014	550,000.00	5,500.00	555,500.00
Totals	\$ <u>550,000.00</u>	\$ <u>11,000.00</u>	\$ <u>561,000.00</u>

Interest expense on general long-term debt incurred during the current year totaled \$14,300.00.

The District has entered into lease agreements as lessee, which qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the District the ability to terminate the lease agreements at the end of each fiscal year. The District records any current year payments on capital leases as expenditures and records a liability for future lease payment in the general long-term debt account group.

A brief description of the outstanding capital leases at June 30, 2012, is set forth below:

	<u>Final Payment</u>	<u>Original Lease</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
Thomas Economic Development Auth.	09-01-17	\$ <u>5,368,050.00</u>	\$ <u>3,750,300.00</u>	4.1-4.35%
Total Capital Lease		\$ <u>5,368,050.00</u>	\$ <u>3,750,300.00</u>	

Presented below is a schedule of future minimum lease payments as follows:

<u>Year Ending</u>	<u>Payment</u>	<u>Total</u>
6-30-2013	\$ 539,250.00	\$ 539,250.00
6-30-2014	539,250.00	539,250.00
6-30-2015	539,250.00	539,250.00
6-30-2016	539,250.00	539,250.00
6-30-2017	539,250.00	539,250.00
Thereafter	<u>1,054,050.00</u>	<u>1,054,050.00</u>
Totals	\$ <u>3,750,300.00</u>	\$ <u>3,750,300.00</u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

5. 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 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 of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit.

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 Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation effective July 1, 2010 and thereafter. 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 7.0% of each member's total compensation.

For the year ended June 30, 2012, the total compensation covered by the Teacher Retirement System was \$1,944,418.38. The District's contributions to the System for the years ending June 30, 2012, 2011 and 2010 were \$201,269.74, \$201,520.51, and \$229,292.26, respectively.

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

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Employee Retirement System (Continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts.

The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

Total Pension Benefit Obligation	\$17,560,754,452
Actuarial Value of Assets	<u>9,960,576,151</u>
Unfunded Actuarial Accrued Liability	<u>\$ 7,600,178,301</u>

Ten year historical trend information is presented in the Teachers' 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.

The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

6. Risk Management

Commercial insurance was purchased to protect the District from risk of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

7. Health Care Coverage

During the year ended June 30, 2012, employees of the Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, were covered by a health insurance plan (the Plan). The teachers and support personnel may elect to be covered by the Plan. The Plan was authorized by House Bill 1731, 1988 Oklahoma Legislature (74 O.S. 1988, Supp. Section 1301-1322) with the Oklahoma State and Education Employers Group Insurance Board.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

8. **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.

9. **Surety Bonds**

Treasurer is bonded by Western Surety Company, bond number 14273110, for the penal sum of \$100,000.00 for the term of August 21, 2010 to August 21, 2011 and for the term of August 21, 2011 to August 21, 2012.

Superintendent is bonded by Western Surety Company, bond number 68443644, for the penal sum of \$100,000.00 for the term of August 10, 2010 to August 10, 2011 and for the term of August 10, 2011 to August 10, 2012.

10. **Subsequent Events**

Management has evaluated subsequent events through December 4, 2012, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

SUPPORTING SCHEDULES
OF
THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY OKLAHOMA

COMBINING FINANCIAL STATEMENTS
OF
THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Totals 2012</u>
<u>ASSETS</u>			
Cash and Investments	\$ <u>112,054.83</u>	\$ <u>36,890.45</u>	\$ <u>148,945.28</u>
Total Assets	\$ <u><u>112,054.83</u></u>	\$ <u><u>36,890.45</u></u>	\$ <u><u>148,945.28</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants payable	\$ 10,430.93	\$ 4,853.52	\$ 15,284.45
Encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>10,430.93</u>	<u>4,853.52</u>	<u>15,284.45</u>
 Total fund balances	 <u>101,623.90</u>	 <u>32,036.93</u>	 <u>133,660.83</u>
Total Liabilities and Fund Balances	\$ <u><u>112,054.83</u></u>	\$ <u><u>36,890.45</u></u>	\$ <u><u>148,945.28</u></u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund	Child Nutrition Fund	Totals 2012
Revenues:			
Local sources	\$ 192,002.01	\$ 51,305.46	\$ 243,307.47
Intermediate sources	0.00	0.00	0.00
State sources	7,256.67	18,908.35	26,165.02
Federal Sources	0.00	136,488.25	136,488.25
	<u>199,258.68</u>	<u>206,702.06</u>	<u>405,960.74</u>
Total Revenues Collected			
Expenditures:			
Instruction	0.00	0.00	0.00
Support services	180,943.56	0.00	180,943.56
Non - Instructional services	0.00	190,797.67	190,797.67
Capital Outlay	11,500.00	0.00	11,500.00
Other Outlays	0.00	0.00	0.00
	<u>192,443.56</u>	<u>190,797.67</u>	<u>383,241.23</u>
Total Expenditures			
Excess of revenue over (under) expenditures	6,815.12	15,904.39	22,719.51
Adjustments to prior year encumbrances	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of revenue and other sources over (under) expenditures and other uses	6,815.12	15,904.39	22,719.51
Beginning fund balance	94,808.78	16,132.54	110,941.32
Ending fund balance	<u>\$ 101,623.90</u>	<u>\$ 32,036.93</u>	<u>\$ 133,660.83</u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
CUSTER COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	\$ 94,808.78	\$ 94,808.78	\$ 94,808.78	\$ 16,132.54	\$ 16,132.54	\$ 16,132.54
Revenues:						
Local sources	176,631.43	176,631.43	192,002.01	41,144.31	41,144.31	51,305.46
Intermediate sources	0.00	0.00	0.00	0.00	0.00	0.00
State sources	11,391.52	11,391.52	7,256.67	23,564.62	23,564.62	18,908.35
Federal sources	0.00	0.00	0.00	114,511.37	114,511.37	136,488.25
Total Revenue, budgetary basis	188,022.95	188,022.95	199,258.68	179,220.30	179,220.30	206,702.06
Expenditures:						
Instruction	0.00	0.00	0.00	0.00	0.00	0.00
Support services	180,943.56	180,943.56	180,943.56	0.00	0.00	0.00
Non - Instructional services	0.00	0.00	0.00	190,797.67	190,797.67	190,797.67
Capital Outlay	11,500.00	11,500.00	11,500.00	0.00	0.00	0.00
Other Outlays	90,388.17	90,388.17	0.00	4,555.17	4,555.17	0.00
Total Expenditures, budgetary basis	282,831.73	282,831.73	192,443.56	195,352.84	195,352.84	190,797.67
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	101,623.90	(0.00)	0.00	32,036.93
Other financing sources (uses):						
Bond sale proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	101,623.90	(0.00)	0.00	32,036.93
Adjustments to prior year encumbrances	0.00	0.00	0.00	0.00	0.00	0.00
Ending fund balances	\$ 0.00	\$ 0.00	\$ 101,623.90	\$ (0.00)	\$ 0.00	\$ 32,036.93

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 - REGULATORY BASIS - ALL CAPITAL PROJECT FUNDS
 JUNE 30, 2012

	Building Bond Fund	Totals 2012
<u>ASSETS</u>		
Cash and Investments	\$ 637.84	\$ 637.84
Total Assets	\$ 637.84	\$ 637.84
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Warrants payable	\$ 0.00	\$ 0.00
Encumbrances	0.00	0.00
Total Liabilities	0.00	0.00
 Total fund balances	 637.84	 637.84
Total Liabilities and Fund Balances	\$ 637.84	\$ 637.84

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
 ALL CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Building Bond Fund	Totals 2012
Revenues:		
Local sources	\$ 637.84	\$ 637.84
Intermediate sources	0.00	0.00
State sources	0.00	0.00
Federal Sources	0.00	0.00
Total Revenues Collected	<u>637.84</u>	<u>637.84</u>
Expenditures:		
Instruction	0.00	0.00
Support services	0.00	0.00
Non - Instructional services	0.00	0.00
Capital Outlay	539,250.00	539,250.00
Other Outlays	<u>10,750.00</u>	<u>10,750.00</u>
Total Expenditures	<u>550,000.00</u>	<u>550,000.00</u>
Excess of revenue over (under) expenditures	(549,362.16)	(549,362.16)
Adjustments to prior year encumbrances	<u>0.00</u>	<u>0.00</u>
Other financing sources (uses):		
Bond sale proceeds	<u>550,000.00</u>	<u>550,000.00</u>
Excess of revenue and other sources over (under) expenditures and other uses	637.84	637.84
Beginning fund balance	<u>0.00</u>	<u>0.00</u>
Ending fund balance	<u>\$ 637.84</u>	<u>\$ 637.84</u>

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 - REGULATORY BASIS - FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Agency Fund</u> Activity Fund	<u>Totals</u> 2012
<u>ASSETS</u>		
Cash and Investments	\$ 104,533.16	\$ 104,533.16
Total Assets	\$ 104,533.16	\$ 104,533.16
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Warrants Payable	\$ 0.00	\$ 0.00
Due to Others	104,533.16	104,533.16
Total Liabilities	104,533.16	104,533.16
 Total fund balances	 0.00	 0.00
Total Liabilities and Fund Balances	\$ 104,533.16	\$ 104,533.16

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
 CUSTER COUNTY, OKLAHOMA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 - REGULATORY BASIS -
 ALL AGENCY FUNDS
 July 1, 2011 through June 30, 2012

<u>ASSETS</u>	Beginning Balance As of 7-1-11	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of 6-30-12
<u>ACTIVITIES</u>					
Annual	\$ 477.74	\$ 22,086.01	\$ (45.00)	\$ 20,099.76	\$ 2,418.99
Art	4,463.98	1,840.75	0.00	790.60	5,514.13
Athletics	24,273.17	59,101.74	1,897.40	65,878.12	19,394.19
Band	6,361.33	3,742.76	0.00	6,085.48	4,018.61
Book Fair	82.49	7,478.63	0.00	7,330.37	230.75
FFA Greenhouse	902.50	6,004.50	0.00	6,733.73	173.27
FFA Livestock Purchase Acct.	35.00	0.00	0.00	0.00	35.00
Thomas Elementary Acct.	1,224.98	6,715.44	0.00	7,653.20	287.22
OGPAC	126.00	0.00	0.00	90.00	36.00
BPA	579.54	445.00	0.00	982.00	42.54
FFA	250.93	71,900.86	(489.96)	71,596.19	65.64
FCCLA	1,586.85	4,836.37	0.00	4,246.96	2,176.26
HS Boys Athletics	5.92	0.00	0.00	0.00	5.92
HS Cheerleaders	2,062.29	21,023.49	0.00	21,727.63	1,358.15
Home EC In/Out	51.92	0.00	0.00	0.00	51.92
JH Cheerleaders	2,257.65	0.00	0.00	2,102.00	155.65
Miscellaneous	4,991.76	12,102.25	(2.00)	7,549.21	9,542.80
Now Interest Account	800.69	0.00	180.59	0.00	981.28
Petty Cash	0.00	0.00	0.00	0.00	0.00
Reading Enrichment	128.69	1,070.25	0.00	785.93	413.01
Science Club	25.21	0.00	0.00	0.00	25.21
Senior Class Prior	1,494.22	0.00	315.78	1,470.95	339.05
Student Council	3,907.37	15,135.50	(200.00)	14,081.12	4,761.75
Teacher Activity Fund	46.60	1,001.50	0.00	927.49	120.61
Technology Education	0.04	250.00	(0.04)	20.94	229.06
Thomas Band Parents	2,361.46	1,623.85	64.74	2,097.75	1,952.30
Thomas FCA	0.00	2,565.99	0.00	2,258.16	307.83
Class of 2010	108.00	0.00	0.00	0.00	108.00
Vocal Music	1,189.00	14,524.74	(2,085.10)	13,190.41	438.23
Class of 2011	121.17	0.00	0.00	0.00	121.17
Class of 2012	3,437.59	2,018.00	20.00	4,986.25	489.34
Class of 2013	1,200.50	739.00	8,320.00	8,734.25	1,525.25
Class of 2014	933.32	130.00	60.00	100.52	1,022.80
Class of 2015	578.19	340.00	30.00	57.92	890.27
Class of 2006	315.78	0.00	(315.78)	0.00	0.00
Class of 2007	0.00	0.00	0.00	0.00	0.00
Class of 2008	0.00	0.00	0.00	0.00	0.00
Class of 2009	0.00	0.00	0.00	0.00	0.00
Choral Connection	102.89	0.00	0.00	0.00	102.89
FFA Shop Acct.	159.93	5,330.00	0.00	5,114.47	375.46
4-6 Elementary Acct.	7,169.79	7,998.38	60.00	6,500.29	8,727.88
Elementary Student Council	2,414.06	225.00	0.00	630.00	2,009.06
Elementary Vocal Acct.	199.82	620.00	0.00	0.00	819.82
Concession Acct.	5,263.54	41,141.48	(6,048.70)	31,499.90	8,856.42
Academic Team	88.00	1,235.00	0.00	1,323.00	0.00
Special Athletic Acct.	8,838.90	18,510.00	0.00	6,521.14	20,827.76
Athletic In/Out	1,994.74	11,941.02	0.00	10,848.25	3,087.51
Tournament Acct.	0.00	0.00	0.00	0.00	0.00
Class of 2016	0.00	260.00	40.00	11.06	288.94
Class of 2017	0.00	872.00	20.00	686.78	205.22
TOTAL ASSETS	\$ 92,613.55	\$ 344,809.51	\$ 1,821.93	\$ 334,711.83	\$ 104,533.16
 <u>LIABILITIES</u>					
Due to Student Groups	\$ 92,613.55	\$ 344,809.51	\$ 1,821.93	\$ 334,711.83	\$ 104,533.16
TOTAL LIABILITIES	\$ 92,613.55	\$ 344,809.51	\$ 1,821.93	\$ 334,711.83	\$ 104,533.16

SUPPLEMENTARY INFORMATION

OF

**THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA**

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. 07
CUSTER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at July 1, 2011	Receipts	Expenditures	Ending Balance at June 30, 2012
<i>U.S. Department of Education Direct Programs:</i>							
Title VI, Subpart 1, REAP Award #S358A096214	84.358A	588	\$ 24,229.00	\$ 0.00	\$ 0.00	\$ 24,229.00	\$ (24,229.00)
<i>Passed Through State Department of Education:</i>							
<u>2010-2011 Programs</u>							
Title I - LEA	84.010	511	0.00	(20,335.77)	20,335.77	0.00	(0.00)
ARRA Title I - LEA	84.389	516	0.00	(2,004.17)	2,004.17	0.00	(0.00)
Title II - Part A	84.367	541	0.00	(8,783.84)	8,783.84	0.00	0.00
ARRA IDEA-B Early Intervening	84.391	622	0.00	(9,340.07)	9,340.07	0.00	0.00
IDEA-B Preschool	84.173	641	0.00	(1,674.56)	1,674.56	0.00	0.00
IDEA-B Flowthrough	84.027	621	0.00	(36,671.33)	36,671.33	0.00	0.00
Education Jobs Fund	84.410	790	0.00	(35,783.86)	35,783.86	0.00	0.00
<u>2011-2012 Programs</u>							
Job Training - OJT	84.126	456	8,701.68	0.00	8,701.68	8,701.68	0.00
Title I - LEA	84.010	511	94,711.43	0.00	46,621.88	81,644.25	(35,022.37)
Title I, Part A, 3-Month Money	84.010	512	5,477.96	0.00	5,477.96	5,477.96	0.00
Title II - Part A	84.367	541	38,262.26	0.00	17,622.89	22,780.27	(5,157.38)
IDEA-B Preschool	84.173	641	1,568.58	0.00	0.00	1,521.11	(1,521.11)
IDEA-B Flowthrough	84.027	621	82,951.69	0.00	62,664.69	82,557.06	(19,892.37)
Gear Up	84.334	775	1,000.00	0.00	1,000.00	0.00	1,000.00
Education Jobs Fund	84.410	790	10,110.84	0.00	0.00	9,504.96	(9,504.96)
Total Department of Education			267,013.44	(114,593.60)	256,682.70	236,416.29	(94,327.19)
<i>U.S. Department of Agriculture:</i>							
Passed Through State Dept. of Education:							
National School Lunch Programs	10.555	763	96,362.23	0.00	96,362.23	63,528.90	32,833.33
School Breakfast Program	10.555	764	40,126.02	0.00	40,126.02	30,356.49	9,769.53
National School Lunch Programs - Commodities	10.553		8,992.85	0.00	8,992.85	8,992.85	0.00
Total USDA			145,481.10	0.00	145,481.10	102,878.24	42,602.86
TOTAL FEDERAL ASSISTANCE			\$ 412,494.54	\$ (114,593.60)	\$ 402,163.80	\$ 339,294.53	\$ (51,724.33)

Note - 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 basic financial statements. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

OF

**THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA**



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
FAX 580-772-3085

BRANCH OFFICE:
106 N. COLLEGE - P.O. BOX 266
CORDELL, OK 73632
580-832-5313
FAX 580-832-5314

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

The Honorable Board of Education
Thomas-Fay-Custer Unified Independent School District No. I-07
Thomas, Custer County, Oklahoma

We have audited the financial statements of Thomas-Fay-Custer Unified Independent School District No. I-07, Thomas, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. As stated in our report, the financial statements were prepared in compliance with the cash basis as prescribed 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. 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 Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma'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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

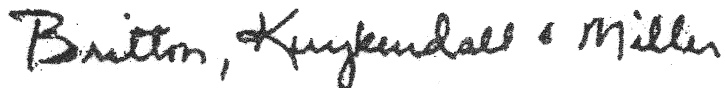
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thomas-Fay-Custer Unified Independent School District No. I-07, Thomas, Oklahoma'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* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, in a separate statement of audit comments included with this report.

This report is intended solely for the information and use of the Board of Education and administrative employees, and all applicable county, state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 4, 2012

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2012

CURRENT YEAR

- 12-1 During our audit we noted that the District did not have all surety bonds as required by law. Each required individual should be covered by a surety bond meeting minimum amounts as stated in school law.

- 12-2 During our audit of the General Fund, Building Fund, Bond Fund, and Activity Fund we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or other documentation to indicate that the goods were received or services rendered and in good condition.

- 12-3 During our audit of the Activity Fund, we found that money being receipted by several of the Activity Fund sponsors was not being forwarded to the Activity Fund Custodian on a timely basis. Per 70 O.S. 5-129, state law requires that custodians deposit money daily.

- 12-4 During our audit of the payroll records, we noted some extra duty pay where remunerations for services exceeding \$500.00 did not have a written extra duty contract as required by Title 70 Section 5-123 of the Oklahoma Statutes.

- 12-5 During our audit of the payroll records, we noted instances where Form I-9 had not been completed for employees as required by law. A U.S. Department of Justice Form I-9 should be completed within three days after hiring any new employee who is going to perform labor or services in return for wages as required by the Internal Revenue Service.

- 12-6 During our audit of the payroll records, we noted an instance where payment to an individual for contracted physical therapy services was treated as an employee and issued a Form W-2. The District should have treated the individual as an independent contractor and issued a Form 1099 for non-employee compensation.

- 12-7 During our audit, we noted that the updated Oklahoma Cost Accounting System coding in the Child Nutrition Fund was not used. Although the Child Nutrition funds were properly spent, they should have been classified as federal project program expenditures in the District's accounting records. The District corrected the data in the District's financial statements. Policies should be implemented to use accurate and updated OCAS coding as set out by the Oklahoma State Department of Education.

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2012

PRIOR YEAR

- 11-1 During our audit of the Activity Fund we noted instances where invoices were dated before the actual purchase orders were approved. All purchase orders must be approved by the purchasing agent to allow any purchase to be made or any order placed. Funds are not to be obligated without authorization by the purchasing agent. The person obligating these funds without approval can be held liable to pay for the purchases.

- 11-2 During our audit of the General Fund, Building Fund, and Activity Fund we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or other documentation to indicate that the goods were received or services rendered and in good condition

- 11-3 During our audit of the Activity Fund, we found that money being receipted by several of the Activity Fund sponsors was not being forwarded to the Activity Fund Custodian on a timely basis. Per 70 O.S. 5-129, state law requires that custodians deposit money daily.

- 11-4 During our audit, we noted instances of equipment purchased with federal monies that were not properly labeled as required by federal program guidelines. All equipment purchased with federal funds should be labeled with the name of the federal program and fiscal year the equipment was purchased for tracking purposes.

- 11-5 During our audit of the payroll records, we noted instances of employees being paid compensation for extra duties that were not ran through the District's payroll reporting records and no extra duty contract was written as required by Oklahoma Statutes and Internal Revenue Service laws. All payments to school personnel should be included in the District's regular payroll processing and reported on IRS Form W-2.

- 11-6 During our audit of the General Fund, we noted an instance where awards for teachers were purchased with General Fund monies. State statutes do not allow the use of tax generated funds to be used for the purchase of awards for individuals. Awards can be purchased with Activity Fund monies, with board approval.

- 11-7 At June 30, 2012, insufficient collateral was pledged by one banking institution to cover the District's cash balance placing a portion of the District's cash balance at risk. The District should obtain collateral pledges from all banks with whom it maintains a cash balance over the \$250,000.00 FDIC coverage.

**THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2012**

PRIOR YEAR (continued)

The District has implemented procedures to correct numbers 11-1, 11-4, 11-6, and 11-7 of the prior year's Audit Comments. However, there were instances of reoccurrence in the current fiscal year of comment numbers 11-2, 11-3, and 11-5.

Thomas-Fay-Custer Unified Schools

Thomas, Oklahoma 73669

Rob Royalty, Superintendent

To: Britton, Kuykendall and Miller

Certified Public Accountants

P.O. Box 507

Weatherford, OK 73096

Corrective Action Letter to Auditors Comments for the 2010-2011 Audit.

The following are the comments with the corrective action:

12-1

During our audit we noted that the District did not have all surety bonds as required by law. Each required individual should be covered by a surety bond meeting minimum amounts as stated in school law.

Corrective Action:

The Treasurer and Insurance were contacted immediately so that every individual that needed to be bonded is now covered.

12-2

During our audit of the General Fund, Building Fund, Bond Fund, and Activity Fund we noted where invoices were not signed to verify receipt of goods or services. The person receiving Goods or services should sign the invoice, statement, or other documentation to indicate that the goods were received or services rendered and in good condition.

Corrective Action:

All employees have been instructed to sign invoices and verify receipt of goods or services by signing the paper copy of the invoices and packing slips.

12-3

During our audit of the Activity Fund, we found that money being receipted by several of the Activity Fund sponsors was not being forwarded to the Activity Fund Custodian on a timely basis. Per 70 O.S. Section 5-123 of the Oklahoma Statutes.

Corrective Action:

All activity fund sponsors have been informed that they must have a record of receipt and turn in all money daily to the Activity Fund Custodian.

FAX 580/661-3589 • PHONE 580/661-3522 • P.O. Box 190

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Thomas-Fay-Custer Unified Schools

12-4 Thomas, Oklahoma 73669

Rob Royalty, Superintendent

During our audit of the payroll records, we noted some extra duty pay where remunerations for services exceeding \$500.00 did not have a written extra duty contract as required by Title 70 Section 5-123 of the Oklahoma Statutes.

Corrective Action:

All contracts for the current year will be corrected to include the extra duty contract as required by Title 70 Section 5-123 of the Oklahoma Statutes.

12-5

During our audit of the payroll records, we noted instances where Form I-9 had not been completed for employees as required by law. A U.S. Department of Justice Form I-9 should be completed within three days after hiring any new employee who is going to perform labor or services in return for wages as required by the Internal Revenue Service.

Corrective Action:

Immediate action has been taken to correct this problem in the future.

12-6

During our audit of the payroll records, we noted an instance where payment to an individual for contracted physical therapy services was treated as an employee and issued a Form W-2. The District should have treated the individual as an independent contractor and issued a Form 1099 for non-employee compensation.

Corrective Action:

Now that it is understood, we are taking immediate action to correct the problem from this time forward.

12-7 During our audit, we noted that the updated Oklahoma Cost Accounting System coding in the Child Nutrition Fund was not used. Although the Child Nutrition funds were properly spent, they should have been classified as federal project program expenditures in the District's accounting records. The District corrected the data in the District's financial statements. Policies should be implemented to use accurate and updated OCAS coding as set out by the Oklahoma State Department of Education.

Corrective Action:

Action was taken immediately to correct this problem.

Signed:



Rob Royalty - Superintendent of Schools

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Thomas-Fay-Custer Unified Schools

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Thomas, Oklahoma 73669
580/661-3521 or 580/661-3522
Fax 580/661-3589

11-1 During our audit of the Activity fund we noted instances where invoices were dated before the actual purchase orders were approved. All purchase orders must be approved by the purchasing agent to allow any purchase to be made or any order placed. Funds are not to be obligated without authorization by the purchasing agent. The person obligating these funds without approval can be held liable to pay for the purchase.

Response/Action: The Activity Fund Custodian and Activity Fund sponsors will be instructed to have a written purchase order signed, dated and numbered by the activity fund custodian before any purchases can be made. Failure to follow this directive will be held liable to pay for the purchase.

11-2 During our audit of the General Fund, Building Fund, and Activity Fund we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or other documentation to indicate that the goods were received or services rendered and in good condition.

Response/Action: All persons involved with purchasing goods or services will be instructed to make sure that they sign all documents, invoices, statements, etc. to indicate that the goods were received or services rendered and in good condition.

11-3 During our audit of the Activity fund, we found that money being receipted by several of the Activity Fund sponsors was not being forwarded to the Activity Fund Custodian on a timely basis. Per 70 O.S. 5-129, state law requires that custodians deposit money daily.

Response/Action: All activity fund sponsors will be informed that they must turn in and receipt any monies collected daily to be in compliance with 70 O.S. 5-129.

11-4 During our audit, we noted instances of equipment purchased with federal monies that were not properly labeled as required by federal program guidelines. All equipment purchased with federal funds should be labeled with the name of the federal program and fiscal year the equipment was purchased for tracking purposes.

Response/Action: All federal program equipment will be labeled properly before distribution, with documentation to back up the procedure.

ROB ROYALTY
Superintendent
580/661-3527

RAY OAKES
J.H./H.S. Principal
580/661-3522

JEANNE KARNS
Elementary Principal
580/661-3521

Thomas-Fay-Custer Unified Schools

P.O. Box 190
Thomas, Oklahoma 73669
580/661-3521 or 580/661-3522
Fax 580/661-3589

11-5 During our audit of the payroll records, we noted instances of employees being paid compensation for extra duties that were not ran through the district's payroll reporting records and no extra duty contract was written as required by Oklahoma Statutes and Internal Revenue Service laws. All payments to school personnel should be included in the District's regular payroll processing and reported on IRS Form-W2.


Response/Action: All employees will have extra duty contracts and be paid through the district's payroll reporting site in compliance with Oklahoma Statutes and Internal Revenue Service laws.

11-6 During our audit of the General Fund, we noted an instance where awards for teachers were purchased with General Fund monies. Stat statutes do not allow the use of tax generated funds to be used for the purchase of awards for individuals. Awards can be purchase with Activity Fund monies, with board approval.

Response/Action: All retirement plaques (Awards) will be purchased through the proper activity fund in the future.

11-7 At June 30, 2011, insufficient collateral was pledged by one banking institution to cover the District's cash balance placing a portion of the district's cash balance at risk. The district should obtain collateral pledges from all banks with whom it maintains a cash balance over the \$250,000.00 FDIC coverage.

Response/Action: The Bank and District Treasurer have been informed and measures are being taken to immediately remedy the situation.


Supt. TFC Schools
11-14-11

ROB ROYALTY
Superintendent
580/661-3527

RAY OAKES
J.H./H.S. Principal
580/661-3522

JEANNE KARNs
Elementary Principal
580/661-3521

THOMAS-FAY-CUSTER UNIFIED INDEPENDENT SCHOOL DISTRICT NO. I-07
CUSTER COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 THROUGH JUNE 30, 2012

State of Oklahoma)
) ss
County of Custer)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountants' 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 Thomas-Fay-Custer Unified Independent School District No. I-07, Oklahoma, for the audit year 2011-2012.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

By *James Kuykendall*

Subscribed and sworn to before me this 12th day of December, 2012.

Frances A. Lewis
NOTARY PUBLIC

