

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

Financial Statements
June 30, 2012
With Independent Auditors' Report Thereon

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
PONTOTOC COUNTY, OKLAHOMA
June 30, 2012

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**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
June 30, 2012**

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**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

School District Officials

June 30, 2012

Board of Education

President

Darrell Phillips

Vice-President

Dena Anderson

Clerk

Linda Embry

Member

David Golden

Member

Noralene Groves

School District Treasurer

Laura Cothren

Minute-Encumbrance Clerk

Anita Qualls

Superintendent of Schools

Janet Blocker

JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.
Allen Bryant, Jr., C.P.A.

P.O. Box 1564
Ada, Oklahoma 74821-1564
(580) 332-5549

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

INDEPENDENT AUDITORS' REPORT

The Board of Education
Vanoss Independent School District Number I-9
Vanoss, Pontotoc County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Vanoss Independent School District No. I-9, 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 Vanoss Independent School District, No. I-9, Pontotoc County, Oklahoma, Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the 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.

Vanoss Independent School District I-9
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 Vanoss Independent School District, No. I-9, 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 Vanoss Independent School District No. I-9, Pontotoc County, Oklahoma, as of June 30, 2012, and the revenues collected, expenditures paid/expenses, 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 Government Auditing Standards, we have also issued our report dated August 6, 2012, on our consideration of the Vanoss Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 fund 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 6, 2012



COMBINED FINANCIAL STATEMENTS

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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	Debt Service	Co-op
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 3,529,059	\$ 169,573	\$ 66,996	\$ (46,854)
Amounts Available in Debt Services Fund	-	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-
TOTAL ASSETS	\$ 3,529,059	\$ 169,573	\$ 66,996	\$ (46,854)
<u>LIABILITIES:</u>				
Warrants Payable	\$ 582,155	\$ -	\$ -	\$ 15,314
Long-Term Debt Bonds Payable	-	-	-	-
TOTAL LIABILITIES	582,155	-	-	15,314
<u>FUND BALANCE:</u>				
Designated	-	-	66,996	-
Undesignated	2,946,904	169,573	-	(62,168)
TOTAL FUND BALANCE	2,946,904	169,573	66,996	(62,168)
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,529,059	\$ 169,573	\$ 66,996	\$ (46,854)

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Fiduciary Trust and Agency</u>	<u>Account Group Long- Term Debt</u>	<u>Total (Memorandum Only)</u>
\$ 6,091	\$ 77,853	\$ -	\$ 3,802,718
-	-	66,996	66,996
-	-	308,004	308,004
<u>6,091</u>	<u>77,853</u>	<u>375,000</u>	<u>4,177,718</u>

\$ 2,000	\$ -	\$ -	\$ 599,469
-	-	375,000	375,000
<u>2,000</u>	<u>-</u>	<u>375,000</u>	<u>974,469</u>

4,091	-	-	71,087
-	77,853	-	3,132,162
<u>4,091</u>	<u>77,853</u>	<u>-</u>	<u>3,203,249</u>

<u>\$ 6,091</u>	<u>\$ 77,853</u>	<u>\$ 375,000</u>	<u>\$ 4,177,718</u>
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**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds - Regulatory Basis
Year Ended June 30, 2012

	Governmental Fund Types		
	General	Special Revenue	Co-op
<u>REVENUES COLLECTED:</u>			
District Sources	\$ 787,266	\$ 85,887	\$ -
Intermediate Sources	91,131	-	-
State Sources	3,933,837	-	-
Federal Sources	870,470	-	202,823
TOTAL REVENUE COLLECTED	5,682,704	85,887	202,823
<u>EXPENDITURES PAID:</u>			
Instruction	2,467,118	-	-
Support Services	1,502,011	-	210,324
Non-Instruction Services	281,836	-	-
Capital Outlay	235,168	26,162	-
Other Outlays	1,202	-	-
TOTAL EXPENDITURES PAID	4,487,335	26,162	210,324
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments	1,195,369	59,725	(7,501)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	130,617	-	-
Excess of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	1,325,986	59,725	(7,501)
Fund Balance, Beginning of Year	1,620,918	109,848	(54,667)
Fund Balance, End of Year	\$ 2,946,904	\$ 169,573	\$ (62,168)

The accompanying notes are an integral part of this statement.

	Governmental Fund Types	Total (Memorandum Only)
<u>Debt Service</u>	<u>Capital Project</u>	
\$ 184,898	\$ 69	\$ 1,058,120
-	-	91,131
-	-	3,933,837
-	-	1,073,293
<u>184,898</u>	<u>69</u>	<u>6,156,381</u>
-	-	2,467,118
-	21,102	1,733,437
-	-	281,836
-	-	261,330
<u>181,215</u>	<u>43,530</u>	<u>225,947</u>
<u>181,215</u>	<u>64,632</u>	<u>4,969,668</u>
3,683	(64,563)	1,186,713
<u>-</u>	<u>-</u>	<u>130,617</u>
3,683	(64,563)	1,317,330
<u>63,313</u>	<u>68,654</u>	<u>1,808,066</u>
<u>\$ 66,996</u>	<u>\$ 4,091</u>	<u>\$ 3,125,396</u>

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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)
<u>REVENUE COLLECTED:</u>				
District Sources	\$ 482,248	\$ 482,248	\$ 787,266	\$ 305,018
Intermediate Sources	70,450	70,450	91,131	20,681
State Sources	3,801,502	3,801,502	3,933,837	132,335
Federal Sources	404,611	404,611	870,470	465,859
TOTAL REVENUE COLLECTED	4,758,811	4,758,811	5,682,704	923,893
<u>EXPENDITURES PAID:</u>				
Instruction	4,355,109	4,355,109	2,467,118	1,887,991
Support Services	1,503,550	1,503,550	1,502,011	1,539
Non-Instruction Services	284,635	284,635	281,836	2,799
Capital Outlay	235,230	235,230	235,168	62
Other Outlays	1,205	1,205	1,202	3
TOTAL EXPENDITURES PAID	6,379,729	6,379,729	4,487,335	1,892,394
Excess of Revenues Collected Over (Under) Expenditures Paid	(1,620,918)	(1,620,918)	1,195,369	2,816,287
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	-	-	130,617	130,617
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(1,620,918)	(1,620,918)	1,325,986	2,946,904
FUND BALANCE, BEGINNING OF YEAR	1,620,918	1,620,918	1,620,918	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 2,946,904	\$ 2,946,904

The accompanying notes are an integral part of this statement.

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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 Fund
Year Ended June 30, 2012

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>			
District Sources	\$ 62,826	\$ 85,887	\$ 23,061
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUE COLLECTED	<u>62,826</u>	<u>85,887</u>	<u>23,061</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Capital Outlays	172,674	26,162	146,512
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	<u>172,674</u>	<u>26,162</u>	<u>146,512</u>
Excess of Revenue Collected Over (Under) Expenditures Paid	(109,848)	59,725	169,573
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(109,848)	59,725	169,573
FUND BALANCE, BEGINNING OF YEAR	<u>109,848</u>	<u>109,848</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 169,573</u>	<u>\$ 169,573</u>

The accompanying notes are an integral part of this statement.

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>			
District Sources	\$ 145,957	\$ 184,898	\$ 38,941
State Sources	-	-	-
Federal Sources	-	-	-
Investment Income	-	-	-
TOTAL REVENUE COLLECTED	<u>145,957</u>	<u>184,898</u>	<u>38,941</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Capital Outlays	-	-	-
Other Outlays	181,215	181,215	-
TOTAL EXPENDITURES PAID	<u>181,215</u>	<u>181,215</u>	<u>-</u>
Excess of Revenue Collected Over (Under) Expenditures Paid	(35,258)	3,683	38,941
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(35,258)	3,683	38,941
FUND BALANCE, BEGINNING OF YEAR	<u>63,313</u>	<u>63,313</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 28,055</u>	<u>\$ 66,996</u>	<u>\$ 38,941</u>

The accompanying notes are an integral part of this statement.

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-39
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/ Final Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES COLLECTED:</u>				
District Sources	\$ -	\$ -	\$ -	\$ -
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	443,546	202,823	(240,723)
TOTAL REVENUE COLLECTED	-	443,546	202,823	(240,723)
<u>EXPENDITURES PAID:</u>				
Instruction	-	-	-	-
Support Services	-	388,879	210,324	178,555
Non-Instruction Services	-	-	-	-
Capital Outlays	-	-	-	-
Other Outlays	-	-	-	-
TOTAL EXPENDITURES PAID	-	388,879	210,324	178,555
Excess of Revenues Collected Over (Under) Expenditures Paid	-	54,667	(7,501)	(62,168)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	-	54,667	(7,501)	(62,168)
FUND BALANCE, BEGINNING OF YEAR	(54,667)	(54,667)	(54,667)	-
FUND BALANCE, END OF YEAR	\$ (54,667)	\$ -	\$ (62,168)	\$ (62,168)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The financial statements of the Vanoss Public Schools Independent District No. I-9 (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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
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 Schools Athletics and Activities Fund which is used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

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

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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 general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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 represented by purchase orders, contracts, and other commitments for the expenditure of monies and 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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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 – Food Service		-
Total	\$	<u>-</u>

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.

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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Fund Balance (continued)

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). Any balance in excess of the outstanding obligations is shown as Cash Fund Balance.

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.

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.

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

G. Revenue, Expenses and Expenditures (continued)

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.

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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

G. Revenue, Expenses and Expenditures (continued)

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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during 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 \$13,014,863. On February 13, 2001, voters of the school district voted to make all current support levies permanent.

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 and savings accounts of and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by Federal Deposit Insurance.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 3. Cash and Investments (continued)

In accordance with state statutes, the district's investment policy as follows:

It shall be the policy of the Vanoss Board of Education to invest all available money from the General, Building, and Sinking funds. The investments shall be made in conformity with all existing state laws. Use of local financial institutions will be encouraged.

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 two banks and are entirely insured by the FDIC up to its limits, with the individual banks 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 each bank has deposits 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.

The District's investments are in various financial institutions as follows:

	<u>Bank Balance</u>	<u>Pledged Collateral</u>	<u>FDIC Insurance</u>
Bank First – Stratford, OK	\$ 3,702,718	\$ 3,908,424	\$ 350,000
Vision Bank – Ada	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Deposits	<u>\$ 3,802,718</u>	<u>\$ 3,908,424</u>	<u>\$ 450,000</u>

Note 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 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

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 4. General Long-Term Debt (continued)

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>Obligation</u>	<u>Balance Outstanding 6-30-11</u>	<u>Issued (Retired) During Year</u>	<u>Balance Outstanding 6-30-12</u>
2009 GO Bond	\$ 265,000	\$ (130,000)	\$ 135,000
2009 GO Bonds	<u>270,000</u>	<u>(30,000)</u>	<u>240,000</u>
Totals	<u>\$ 535,000</u>	<u>\$ (160,000)</u>	<u>\$ 375,000</u>

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

<u>Year Ending 30-Jun</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 165,000	\$ 15,255	\$ 180,255
2014	30,000	9,375	39,375
2015	30,000	8,250	38,250
2016	30,000	7,050	37,050
2017	30,000	5,775	35,775
2018	30,000	4,425	34,425
2019	<u>60,000</u>	<u>3,000</u>	<u>63,000</u>
Totals	<u>\$ 375,000</u>	<u>\$ 53,130</u>	<u>\$ 428,130</u>

Note 5. Employee Retirement System

Plan Description - The District participates in the Oklahoma Teachers' 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 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.

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Note 5. Employee Retirement System (continued)

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. Funding Policy - The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statute. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The District is required by statute to contribute 9.5%.

Note 6. 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 7. Subsequent Events

There have been no subsequent events that would have a material adverse effect on the financial condition of the District.

Note 8. 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 9. Consolidation

The Pickett Center Dependent School C-20, Pontotoc County, Oklahoma, consolidated into the Vanoss Public School District effective July 1, 2011. All fund balances and bonds outstanding of the Pickett Center Dependent School District were transferred to the Vanoss Public School District at that time.

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2012

Note 10. Surety Bonds

The District has a Public School System Activity Fund Custodian Bond with Western Surety Company. It covers the Activity Fund Custodian for the sum of \$25,000.00 and it is for the term July 19, 2010 to July 19, 2011.

The treasurer is bonded by Western Surety Company for the sum of \$2,000,000 for the term January 1, 2012 to January 1, 2013.

The minute clerk/encumbrance clerk is bonded by Western Surety Company, for the sum of \$1,000.00 for the term, of January 10, 2012 to December 31, 2013.

The superintendent is bonded by Western Surety Company for the sum of \$100,000 from July 10, 2011 to July 10, 2012.

Note 11. Co-Op Fund Balance

The \$62,168 deficit fund balance in the Co-op Fund was fully collected in the 2012-2013 fiscal year.

COMBINING FINANCIAL STATEMENTS

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Cash Fund Balances
All Special Revenue Funds - Regulatory Basis
June 30, 2012

	<u>Building Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 169,573	\$ 169,573
TOTAL ASSETS	<u>\$ 169,573</u>	<u>\$ 169,573</u>
 <u>LIABILITIES:</u>		
Outstanding Warrants	\$ -	\$ -
Encumbrances	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
 <u>FUND BALANCE:</u>		
Fund Balances	<u>169,573</u>	<u>169,573</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,573</u>	<u>\$ 169,573</u>

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances - All Special Revenue Funds - Regulatory Basis
June 30, 2012

	<u>Building Fund</u>	<u>Total (Memorandum Only)</u>
<u>REVENUES COLLECTED:</u>		
District Sources of Revenue	\$ 85,887	\$ 85,887
State Sources of Revenue	-	-
Federal Sources of Revenue	-	-
TOTAL REVENUE COLLECTED	<u>85,887</u>	<u>85,887</u>
<u>EXPENDITURES:</u>		
Instruction	-	-
Support Services	-	-
Non-Instruction Services	-	-
Capital Outlay	26,162	26,162
Other Outlays	-	-
TOTAL EXPENDITURES PAID	<u>26,162</u>	<u>26,162</u>
 Excess of Revenues Collected Over (Under) Expenditures Paid	 59,725	 59,725
<u>OTHER RESOURCES AND USES:</u>		
Operating Transfers In	<u>-</u>	<u>109,898</u>
 Excess of Revenues and Other Resources Over (Under) Expenditures and Other Uses	 59,725	 59,725
 FUND BALANCE, BEGINNING OF YEAR	 109,848	 <u>109,898</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 169,573</u>	 <u>\$ 169,573</u>

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Balance
Activity Funds – Regulatory Basis
June 30, 2012

	<u>Activity Fund</u>
<u>ASSETS</u>	
Cash	\$ 77,853
 TOTAL ASSETS	 <u>\$ 77,853</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
 <u>FUND BALANCE:</u>	
Unreserved/Undesignated	\$ 7,677
Student Groups	<u>70,176</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 77,853</u>

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Changes in Assets, Liabilities and Fund Balances
Activity Funds – Regulatory Basis
Year Ended June 30, 2012

	<u>Balance</u> <u>7-1-2011</u>	<u>Deposited</u>	<u>Net</u> <u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6-30-2012</u>
<u>ASSETS</u>					
Cash	\$ 61,280	\$ 152,328	\$ -	\$ 135,755	\$ 77,853
TOTAL ASSETS	\$ 61,280	\$ 152,328	\$ -	\$ 135,755	\$ 77,853
 <u>FUND BALANCE</u>					
Unreserved/Undesignated	\$ 12,096	\$ 51,289	\$ -	\$ 55,708	\$ 7,677
Designated – Student Groups	49,184	101,039	-	80,047	70,176
TOTAL LIABILITIES AND FUND BALANCE	\$ 61,280	\$ 152,328	\$ -	\$ 135,755	\$ 77,853

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
PONTOTOC COUNTY, OKLAHOMA
Detail of Activity Funds - Regulatory Basis
Year Ended June 30, 2012

	Balance June 30, 2011	Deposited	Transfers	Disbursed	Balance June 30, 2012
Athletics	\$ 12,096	\$ 51,289	\$ -	\$ 55,708	\$ 7,677
Softball	157	2,311	-	1,417	1,052
Baseball	49	177	-	-	226
Boys Basketball	30	3,566	-	3,342	254
Girls Basketball	13	-	-	-	13
FFA	6,068	18,996	-	16,421	8,643
Yearbook	6,858	9,164	-	7,715	8,307
Juniors	-	15,569	-	12,346	3,223
Seniors	395	3,026	-	2,999	422
BPA	444	5,249	-	4,896	797
ATAE	955	-	-	677	278
Cheerleaders	264	-	-	100	164
FCA	26	-	-	-	26
Lower Elementary	22,645	21,407	-	12,160	31,892
Art	1,261	1,495	-	2,228	528
Media Center	5,264	5,404	-	4,594	6,073
Upper Elementary	-	-	-	-	-
Science Club	571	512	-	338	744
Student Council	2,567	1,765	-	2,379	1,953
Academics	606	1,412	-	1,341	677
School Impr Public Relations	445	8,506	-	4,876	4,075
Choir	79	2,481	-	2,092	468
High School	309	-	-	125	184
Native American Club	177	-	-	-	177
	-	-	-	-	-
	<u>\$ 61,280</u>	<u>\$ 152,328</u>	<u>\$ -</u>	<u>\$ 135,755</u>	<u>\$ 77,853</u>

SUPPORTING SCHEDULES

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
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
<u>U.S. Department of Educaiton Direct Programs:</u>			
Impact Aid	84.041	46-ok-2011-2703	\$ -
Rural Ed Achievement	84.358A	5041B-2011-4248	-
Indian Education Title IX	84.060A	S060A-01-1092	-
			-
TOTAL U.S. DEPARTMENT OF EDUCATION			-
<u>Passed Through State Department of Education:</u>			
21st Century	84.287	N/A	105
Title I	84.010	N/A	985
Title II - Part A - REAP	84.367	N/A	-
Indian Education JOM	15.130	N/A	7,752
Title II, Part B Math & Science Partnership	84.366	N/A	54,667
Flow Thru PL IDEA	84.027	N/A	1,511
Pre-School Ages 3-5 IDEA	84.173	N/A	-
			-
TOTAL DEPARTMENT OF EDUCATION			-
<u>Passes Through U.S. Department of Agriculture</u>			
Child Nutrition - Lunches	10.555	N/A	-
Child Nutrition - Breakfasts	10.553	N/A	-
TOTAL DEPARTMENT OF AGRICULTURE			-
<u>Passed Through U.S. Department of Human</u>			
<u>Services:</u>			
Commodity Supplemental Food Program	10.565	N/A	-
TOTAL DEPARTMENT OF HUMAN SERVICES			-
<u>Passed Through State of Oklahoma</u>			
Carl D Perkins	84.048	N/A	7,479
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 219,168

Receipts For Prior Year Expenditures	Receipts For Current Year Expenditures	Current Year Expenditures	Balance of Funds to Receive June 30, 2012
\$ -	\$ 193,617	\$ 193,617	\$ -
-	25,738	25,738	-
-	55,085	55,085	-
-	-	-	-
-	274,440	274,440	-
105	20,051	20,051	-
985	180,239	180,732	493
	27,636	27,636	
7,752	-	6,174	6,174
54,667	148,156	210,324	66,835
1,511	144,610	144,610	-
-	4,506	4,506	-
-	-	-	-
65,020	525,198	594,033	73,502
-	138,662	138,662	-
-	50,291	50,291	-
-	188,953	188,953	-
-	12,202	12,202	-
-	12,202	12,202	-
7,479	-	7,107	7,107
\$ 72,499	\$ 1,000,793	\$ 1,076,735	\$ 80,609

**VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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 Vanoss Public Schools, I-9, 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.

No amounts were passed through to a subrecipient.

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
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 representative of the auditing firm listed below being 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 Vanoss Public Schools for the audit year 2011-2012.

Johnston and Bryant, C.P.A.'S
By *[Signature]*

Subscribed and sworn to before me this 8th day of November, 2012.

[Signature: Keisha Brewer]
Notary Public

My commission expires 3-15-14
Commission No. 06002835



**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**

**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
Vanoss Independent School District Number I-9
Vanoss, Pontotoc County, Oklahoma

We have audited the financial statements of Vanoss Independent School District No. I-9, Pontotoc County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated August 6, 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 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 Vanoss 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 the Vanoss 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 or performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

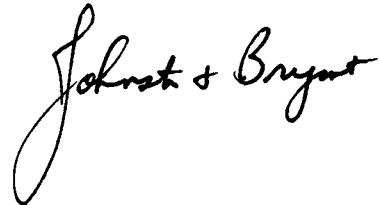
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Vanoss Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 6, 2012

A handwritten signature in black ink, appearing to read "John R. & Bryant", is written in a cursive style.

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
Vanoss Independent School District Number I-9
Vanoss, Pontotoc County, Oklahoma

Compliance

We have audited the compliance of Vanoss 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. Vanoss 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 Vanoss Independent School District's management. Our responsibility is to express an opinion on Vanoss 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 Vanoss 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 Vanoss Independent School District's compliance with those requirements.

In our opinion, Vanoss 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

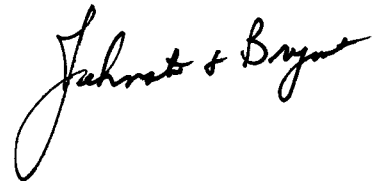
Management of Vanoss Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vanoss Independent 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 6, 2012

A handwritten signature in black ink, appearing to read "Jahnke & Bryner", is located in the lower right area of the page.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-9
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

Reportable conditions identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs: Unqualified

Material weaknesses identified? ☐ Yes ☒ No

Reportable conditions identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? ☐ Yes ☒ No

Findings and Questioned Costs for Federal Awards ☐ Yes ☒ None Noted

Identification of Major Programs:

CFDA

Number

Name of Federal Program

84.010

Title I

84.366

Title II Part B- Math and Science

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

VANOSS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 1-9
PONTOTOC COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Status of Prior Year Findings

None.

Current Year Audit Findings

None