

**Zaneis School District No. CO72**  
**Carter County, Oklahoma**

Financial Statements  
Year-End June 30, 2012

RHJ

**ZANEIS DEPENDENT SCHOOL DISTRICT**  
**Carter County, Oklahoma**

**School District Officials**  
**July 01, 2011 to June 30, 2012**

*Board of Education*

President	Gary Brewer
Vice-President	Lindsay Southward
Member	Buddy Withers

*Clerk of Board of Education*

Buddy Withers

*School District Treasurer*

Beth Billingsley

*Administrative Principal of School*

Ryan Cole

**Zaneis School District No. CO72**  
**Carter County, Oklahoma**  
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**Carter County, Oklahoma**  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Zaneis School District No. CO72  
Wilson, Oklahoma

We have audited the accompanying fund type and account group financial statements of Zaneis School District No. CO72, Carter County, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education and administration of the school district. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, Zaneis School District No. CO72, Carter County, 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 differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with the regulatory basis of accounting. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, because of the effects of the matter discussed in the second preceding 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 each fund of Zaneis School District No. CO72 Carter County, Oklahoma as of June 30, 2012, or changes in financial position for the year then ended.

In our opinion, except for the effects of the omission of the Fixed Asset Account Group described in the second preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Zaneis School District No. CO72 Carter County, Oklahoma, as of June 30, 2012, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2013, on our consideration of Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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 express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental 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 financial statements that collectively comprise Zaneis School District No. CO72 Carter County, Oklahoma's financial statements as a whole. The combining financial statements, schedule of expenditures of federal awards, statement of statutory, fidelity and honesty bonds, and schedule of accountant's professional liability insurance 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The statement of statutory, fidelity and honesty bonds, and schedule of accountant's professional liability insurance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

*Rakhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 8, 2013

Zaneis School District No. CO72  
Carter County, Oklahoma  
Combined Statement of Assets, Liabilities and Fund Equity  
Regulatory Basis – All Governmental Fund Types and Account Groups  
June 30, 2012

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	Total
	General	Special Revenue	Trust and Agency	(memorandum only - Note 1) June 30, 2012
<b>ASSETS</b>				
Cash	\$ 910,755	\$ 189,901	\$ 55,795	\$ 1,156,451
Total Assets	<u>\$ 910,755</u>	<u>\$ 189,901</u>	<u>\$ 55,795</u>	<u>\$ 1,156,451</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Warrants payable	\$ 177,997	\$ 23,066	\$ -	\$ 201,063
Due to others	-	-	55,795	55,795
Total Liabilities	<u>177,997</u>	<u>23,066</u>	<u>55,795</u>	<u>256,858</u>
Fund Equity:				
Unreserved:				
Undesignated	732,758	166,836	-	899,594
Total Cash Fund Balances	<u>732,758</u>	<u>166,836</u>	<u>-</u>	<u>899,594</u>
Total Liabilities and Fund Equity	<u>\$ 910,755</u>	<u>\$ 189,902</u>	<u>\$ 55,795</u>	<u>\$ 1,156,452</u>

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



Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances

Regulatory Basis – All Governmental Fund Types

For the Year Ended June 30, 2012

	<u>Governmental Fund Types</u>		Total (memorandum only - Note 1) June 30, 2012
	<u>General</u>	<u>Special Revenue</u>	
Revenues collected:			
Local sources	\$ 186,260	\$ 68,811	\$ 255,071
Intermediate sources	42,813	-	42,813
State sources	1,350,217	16,805	1,367,022
Federal sources	162,000	115,656	277,656
Total Revenues Collected	<u>1,741,290</u>	<u>201,272</u>	<u>1,942,562</u>
Expenditures paid:			
Instruction	1,133,319	-	1,133,319
Support services	705,267	-	705,267
Non-Instructional services	200	161,357	161,557
Capital outlay	39,647	18,438	58,085
Other outlays	-	-	-
Total expenditures paid	<u>1,878,433</u>	<u>179,795</u>	<u>2,058,228</u>
Excess of revenues collected over (under) expenditures paid	(137,143)	21,477	(115,666)
Cash fund balances, beginning of year	<u>869,901</u>	<u>145,359</u>	<u>1,015,260</u>
Cash fund balances, end of year	<u>\$ 732,758</u>	<u>\$ 166,836</u>	<u>\$ 899,594</u>

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual  
Regulatory Basis – Budgeted Governmental Fund Types  
For the Year Ended June 30, 2012

	General Fund				Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 869,901	\$ 869,901	\$ 869,901	\$ -	\$ 145,359	\$ 145,359	\$ 145,359	\$ -
Revenues collected:								
Local sources	219,866	219,866	186,260	(33,606)	67,618	67,618	68,811	1,193
Intermediate sources	45,242	45,242	42,813	(2,429)	-	-	-	-
State sources	1,311,839	1,311,839	1,350,217	38,378	9,638	9,638	16,805	7,167
Federal sources	164,426	164,426	162,000	(2,426)	106,212	106,212	115,656	9,444
Total Revenues Collected	<u>1,741,373</u>	<u>1,741,373</u>	<u>1,741,290</u>	<u>(83)</u>	<u>183,468</u>	<u>183,468</u>	<u>201,272</u>	<u>17,804</u>
Expenditures paid:								
Instruction	1,866,161	1,866,161	1,133,319	732,842	-	-	-	-
Support services	704,978	704,978	705,267	(289)	-	-	-	-
Non-Instructional services	488	488	200	288	198,376	198,376	161,357	37,019
Capital outlay	39,647.00	39,647.00	39,647	-	130,452	130,452	18,438	112,014
Other outlays	-	-	-	-	-	-	-	-
Total Expenditures paid	<u>2,611,274</u>	<u>2,611,274</u>	<u>1,878,433</u>	<u>732,841</u>	<u>328,828</u>	<u>328,828</u>	<u>179,795</u>	<u>149,033</u>
Excess of revenues collected over (under) expenditures paid	(869,901)	(869,901)	(137,143)	732,758	(145,360)	(145,360)	21,477	166,837
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,758</u>	<u>\$ 732,758</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 166,836</u>	<u>\$ 166,837</u>

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Zaneis School District, CO72, Carter County, Oklahoma (the "District") have been prepared in conformity with an other 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. The 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 for 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 administrative principal 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.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

**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 two categories: governmental 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 consists of the District's Building Fund and Child Nutrition 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.

The Child Nutrition Fund derives monies from local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

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

**B. Fund Accounting – (continued)**

*Fiduciary Fund Types*

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

*Account Groups*

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

*Memorandum Only - Total Column*

The total column on the basic regulatory 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 and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

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

**C. Basis of Accounting and Presentation (continued)**

- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is 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.

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

*Noncash Transactions* - The District received federal food commodities in the amount of \$7,687 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$10,602 directly to the teacher retirement fund on behalf of the District's employees.

**D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable count clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

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

**D. Budgets and Budgetary Accounting – (continued)**

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

**E. Assets Liabilities and Fund Equity**

*Investments* – The District’s investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for all amounts not covered by FDIC insurance.

*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 halves of taxes are 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, 2011 is not material to the financial statements.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

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

**E. Assets Liabilities and Fund Equity – (continued)**

*Compensated Absences* - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave.

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

**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 adjustment is made.

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



Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

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

**F. Revenue, Expenses and Expenditures – (continued)**

All other interfund transactions, except quasi-external transactions which are reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

**2. Cash**

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2012, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

**3. Employee Retirement System**

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152.

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates are determined by Oklahoma Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The required contribution for the participating members is 7% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions. For the 2012 fiscal year, the district contributed 9.5% of covered salaries plus covered fringe benefits. In addition, if a member's salary is paid in part by federal funds, the contribution rate for that portion of salary must be matched by the District at a rate of 7%.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2012

**3. Employee Retirement System – (continued)**

The District's total contributions for 2012, 2011 and 2010 were approximately \$93,828, \$72,638 and \$76,182, respectively equal to the required contribution for the year. These contributions include the District's statutory contribution and the federal match.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Plan information is available from [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information.

**4. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**5. Risk Management**

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

**6. Subsequent Events**

November 2012 the voters of Carter County, Oklahoma passed a one-quarter of one percent (0.25%) county sales tax to provide revenues for technology equipment and instructional and classroom materials for all common school districts wholly located within Carter County, Oklahoma. The sales tax levy became effective on April 1, 2013.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis  
All Special Revenue Funds  
June 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 125,854	\$ 64,047	\$ 189,901
Total Assets	<u>\$ 125,854</u>	<u>\$ 64,047</u>	<u>\$ 189,901</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 18,438	\$ 4,627	\$ 23,065
Total Liabilities	<u>18,438</u>	<u>4,627</u>	<u>23,065</u>
 Fund Equity:			
Unreserved:			
Undesignated	107,416	59,420	166,836
Total Cash Fund Balances	<u>107,416</u>	<u>59,420</u>	<u>166,836</u>
 Total Liabilities and Fund Equity	 <u>\$ 125,854</u>	 <u>\$ 64,047</u>	 <u>\$ 189,901</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Regulatory Basis  
All Special Revenue Funds  
For the Year Ended June 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
Revenues collected:			
Local sources	\$ 25,105	\$ 43,706	\$ 68,811
State Sources	-	16,805	16,805
Federal Sources	-	115,656	115,656
Total Revenues Collected	<u>25,105</u>	<u>176,167</u>	<u>201,272</u>
Expenditures paid:			
Non-Instructional Services	-	161,357	161,357
Capital outlay	18,438	-	18,438
Total expenditures paid	<u>18,438</u>	<u>161,357</u>	<u>179,795</u>
Excess of revenues collected over (under) expenditures paid	<u>6,667</u>	<u>14,810</u>	<u>21,477</u>
Cash fund balances, beginning of year	<u>100,749</u>	<u>44,610</u>	<u>145,359</u>
Cash fund balances, end of year	<u>\$ 107,416</u>	<u>\$ 59,420</u>	<u>\$ 166,836</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis  
All Special Revenue Funds  
For the Year Ended June 30, 2012

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 100,749	\$ 100,749	\$ 100,749	\$ 44,610	\$ 44,610	\$ 44,610	\$ 145,359	\$ 145,359	\$ 145,359
Revenues collected:									
Local sources	29,703	29,703	25,105	37,915	37,915	43,706	67,618	67,618	68,811
State sources	-	-	-	9,638	9,638	16,805	9,638	9,638	16,805
Federal sources	-	-	-	106,212	106,212	115,656	106,212	106,212	115,656
Total Revenues Collected	<u>29,703</u>	<u>29,703</u>	<u>25,105</u>	<u>153,765</u>	<u>153,765</u>	<u>176,167</u>	<u>183,468</u>	<u>183,468</u>	<u>201,272</u>
Expenditures paid:									
Non-Instructional Services	-	-	-	198,375	198,375	161,357	198,375	198,375	161,357
Capital outlay	130,452	130,452	18,438	-	-	-	130,452	130,452	18,438
Total expenditures paid	<u>130,452</u>	<u>130,452</u>	<u>18,438</u>	<u>198,375</u>	<u>198,375</u>	<u>161,357</u>	<u>328,827</u>	<u>328,827</u>	<u>179,795</u>
Excess of revenues collected over (under) expenditures paid	<u>(100,749)</u>	<u>(100,749)</u>	<u>6,667</u>	<u>(44,610)</u>	<u>(44,610)</u>	<u>14,810</u>	<u>(145,359)</u>	<u>(145,359)</u>	<u>21,477</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,836</u>

Zaneis School District No. CO72  
 Carter County, Oklahoma  
 Supplemental Schedule  
 Combining Statement of Revenues Changes in Cash Balances – Regulatory Basis  
 Activity Funds  
 For the Year Ended June 30, 2012

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
Annual	\$ 4,041	\$ 5,046	\$ 3,276	\$ 5,810
Athletics	3,671	1,006	1,145	3,532
Booster Club	37,671	12,345	11,236	38,780
Extended Care	1,933	932	197	2,668
Interest	236	74	60	250
Petty Cash	-	577	577	-
Pop / Eight Grade	4,268	7,040	6,554	4,755
	<u>\$ 51,820</u>	<u>\$ 27,019</u>	<u>\$ 23,044</u>	<u>\$ 55,795</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2011</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2012</u>
<b>U.S. Dept. of Education</b>						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 27,297	\$ 27,297	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	20,857	20,857	-
			<u>-</u>	<u>48,154</u>	<u>48,154</u>	<u>-</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	75,704	75,704	-
Title II Part A - REAP	84.367	586	-	6,511	6,511	-
Education Jobs Fund	84.410	790	-	31,631	31,631	-
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 162,000</u>	<u>\$ 162,000</u>	<u>\$ -</u>
<b>U.S. Department of Agriculture:</b>						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 88,790	\$ 88,790	\$ -
School Breakfast Program	10.553	764	-	26,866	26,866	-
Child Nutrition Cluster Cash Assistance			<u>-</u>	<u>115,656</u>	<u>115,656</u>	<u>-</u>
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance						
National School Lunch Program -- Commodities	10.550		-	7,592	7,592	-
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 123,248</u>	<u>\$ 123,248</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 285,248</u>	<u>\$ 285,248</u>	<u>\$ -</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Zaneis School District No. C072, Carter County, Oklahoma. The schedule is prepared using the cash receipts and disbursement basis. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received. Expenditures include amounts claimed as indirect costs in applicable.





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  
Zaneis School District No. CO72  
Wilson, Oklahoma

We have audited the accompanying fund type and account group financial statements of Zaneis School District C-72, Carter County Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Zaneis School District C-72, Carter County Oklahoma's regulatory financial statements and have issued our report thereon dated April 8, 2013. Our report was modified because of the District's policy to prepare its financial statements in accordance with the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The report on the general long term asset account group was qualified because the District did not maintain the account group. Except as discussed in the preceding sentence, 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

Management of Zaneis School District C-72, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Zaneis School District C-72, Carter County Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Zaneis School District C-72, Carter County Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Zaneis School District C-72, Carter County Oklahoma'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Zaneis School District C-72, Carter County 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-2.

Zaneis School District C-72, Carter County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Zaneis School District C-72, Carter County Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 8, 2013

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Responses  
June 30, 2012

**2012-1 Financial Reporting**

*Condition:* The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

*Criteria:* The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

*Cause:* The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

*Effect:* Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

*Recommendation:* We recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Responses  
June 30, 2012

**2012-2 Activity Fund Receipts**

*Condition:* Funds collected by sponsors are not being turned to the financial secretary timely.

*Criteria:* Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.

*Cause:* Failure to follow state statutes and regulation.

*Context:* Three of twenty-five receipts tested were not deposited within one business day based on date received by sponsor.

*Effect:* Lack of compliance with state law.

*Recommendation:* We recommend that all sponsors be informed of the requirements surrounding activity fund receipts.

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District will continue to focus on improving compliance in this area.

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Summary of Prior Year Findings  
For the Year Ended June 30, 2012

2011-1 *Condition:* The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines.

*Recommendation:* The Auditor recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Current Status:* Condition still exist, see current year finding 2012-1

2011-2 *Condition:* The treasurer performs posting of cash receipts, preparing the deposit and reconciling bank accounts.

*Recommendation:* The Auditor recommended that another staff member be involved in the process of handling cash that comes into the District administrative office.

*Current Status:* New procedures have implemented to correct this issue.

2011-3 *Condition:* Individual receipts are not being issued by sub-account sponsors.

*Recommendation:* The Auditor recommended that prenumbered receipt books need to be issued to all sponsors whom collect money. Receipts should be given to all students by sponsors for funds collected unless the amount is below a small dollar amount as set by the board where a class list can be used. When funds are turned into the custodian, the sponsor receipts should be reconciled to the funds turned in and the sponsor receipt numbers recorded on the custodian receipt.

*Current Status:* New procedures have implemented to correct this issue.

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)  
For the Year Ended June 30, 2012

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2011 to July 1, 2012.

The superintendent is bonded by the Western Surety Company, bond number 68437065, for the penal sum of \$100,000 for the term of August 1, 2011 to August 01, 2012.

The lunch fund custodian is bonded by Western Surety Company, bond number 70129280, for the penal sum of \$1,000 for the term July 1, 2011 to July 1, 2012.

The encumbrance and minutes clerk is bonded by Western Surety Company, bond number 69377777, for the penal sum of \$1,000 for the term August 5, 2011 to August 5, 2012.

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance (unaudited)  
For the Year Ended June 30, 2012

State of Oklahoma )

County of Carter )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Zaneis School District No. CO72 for the audit year 2011-2012.

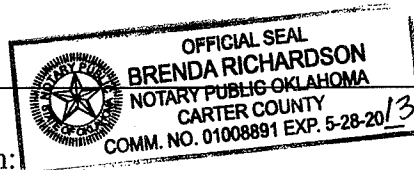
RAHHAL HENDERSON JOHNSON, PLLC

BY: Mary E. Johnson  
Authorized Agent

Subscribed and sworn to before me on this 8th day of April, 2013.

Brenda Richardson  
Notary Public

Commission Number: \_\_\_\_\_



My commission expires on: \_\_\_\_\_ day of, \_\_\_\_\_, 20\_\_\_\_.