

Lawton Independent School District No. 8
Comanche County, Oklahoma

Financial Statements
Year-End June 30, 2013

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Lawton Independent School District No. 8
 Comanche County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lawton Independent School District No. 8, Comanche County, Oklahoma
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

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accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawton Independent School District No. 8, Comanche County, Oklahoma's basic financial statements. The combining nonmajor and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor and individual fund 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining

nonmajor and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The budgetary comparison schedule –building fund, statement of statutory fidelity and honesty bonds and reconciling schedule for OCAS data 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the Lawton Independent School District No. 8, Comanche County, Oklahoma’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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawton Independent School District No. 8, Comanche County, Oklahoma’s internal control over financial reporting and compliance.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
December 3, 2013

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

Introduction

The discussion and analysis of Lawton Public Schools (the District) financial performance provides an overall review of district financial activities for the fiscal year ended June 30, 2013. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2012 and 2013 and a comparative analysis of financial information from those years is presented to aid the reader in a more meaningful understanding of the District's financial performance for Fiscal Year 2013.

Financial Highlights

- ❖ Fiscal Year 2013 operations generated significant budget activity for the General Fund. Current information is presented along side that of Fiscal Year 2012 to illustrate changes in General Fund balance. Both years are presented on the modified accrual basis of accounting.

	<i>Beg Balance</i>	<i>Revenue</i>	<i>Expenses</i>	<i>End Balance</i>
FY2012	\$ 2,969,892	\$117,918,674	\$119,395,109	\$ 1,493,457
FY2013	\$ 1,493,457	\$116,797,482	\$ 113,181,436	\$ 5,109,503

- ❖ The District's Net position exceeded its liabilities by \$77,412,865 as of June 30, 2013. This was an increase of \$8,114,933 over the June 30, 2012 ending Net position.
- ❖ The District's bond fund has made a huge impact in numerous areas. Much needed renovations and repairs on the very old buildings in the District, to include the completion of the HVAC project at Eisenhower High School and the partial remodel at the Douglass Professional Development Center. The HVAC projects at Whittier, Almor West and MacArthur High School were started along with the Almor West roof project.
- ❖ The construction of Freedom Elementary funded by the City Sales Tax and a Department of Defense grant began.
- ❖ Net Assessed valuation amounts and growth rates are presented below. Prospects for continued growth in local revenues appear to be good. Net Assessed valuation provides the basis for the

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

calculation of county Ad Valorem (property) taxes that are distributed to the District each year. The benefit of this growth impacts both the general and building funds.

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Growth</u>
2010	\$390,273,140.00	5.1%
2011	\$408,988,549.00	4.6%
2012	\$420,680,653.00	2.8%
2013	\$428,900,237.00	1.9%

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. These statements are organized so the user can understand the Lawton School District as a financial whole. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net position represents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as Net position. Over time, increases or decreases in Net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's Net position changed during the most recent fiscal year. All changes in Net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The governmental activities of the District include regular and special education, transportation and administration and include the child nutrition program. The government-wide financial statements can be found on **pages 15-16** of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

and local governments, uses fund account to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spending, resources available at the end of the fiscal year. Such information may be useful in evaluating the District near-term financing requirements. Most of the District's basic services are included here, such as regular and special education, transportation, administration, and the child nutrition program. Property taxes, federal and state grants, and state aid formula finance most of these activities.

Because of focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund (11), sinking fund (41), and the municipal tax fund (25), all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation which includes the co-op fund (12), building fund (21), bond fund (31), student activity(60) and the gifts fund (81).

The District adopts an annual appropriated budget for its general and building funds. A budgetary comparison statement has been provided for the general fund and building fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 17-18 and a reconciliation of the government wide totals can be found on page 19.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the government- wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains the endowment fund (50) (private purpose trust) as a fiduciary fund. The fiduciary fund financial statements can be found on pages 23-24 of this report.

**Lawton Independent School District No. 8
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013**

Proprietary Funds. Proprietary funds are used to account for resources held for workers compensation (83) claims and sick leave (85) incentives. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 25- 38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the general and building funds. Required supplementary information can be found on pages 39-40 of this report. Other supplementary information can be found on the table of contents for additional analysis.

Government-Wide Financial Analysis

Statement of Net position. Net position serve over time as a useful indicator of a government's financial position. The change in Net position is important because it identifies whether the financial position of the District has improved or diminished. At the close of the FY 2013, the District's assets exceeded liabilities by \$77,412,865. This was an increase of \$8,114,933 over the close of the FY 2012.

**Lawton Independent School District No. 8
Comanche County
Comparative Statement of Net position
FY 12 vs. FY 13**

Governmental Activities

	FY 2012	FY 2013	Difference	% Change
Assets				
Current assets	\$ 47,219,549	\$ 45,033,544	\$ (2,186,005)	-5%
Capital and other assets	\$ 67,993,178	\$ 68,612,037	\$ 618,859	1%
Total assets	\$115,212,727	\$113,645,581	\$ (1,567,146)	-1%
Liabilities				
Current liabilities	\$ 16,966,476	\$ 15,171,805	\$ (1,794,671)	-11%
Long-term liabilities	\$ 28,948,319	\$ 21,060,911	\$ (7,887,408)	-27%
Total liabilities	\$ 45,914,795	\$ 36,232,716	\$ (9,682,079)	-21%
Net position				

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

Net Investment in capital assets	\$ 58,720,178	\$ 62,499,861	\$ 3,779,683	6%
Restricted	\$ 9,046,194	\$ 8,725,883	\$ (320,311)	-4%
Unrestricted	<u>\$ 1,531,560</u>	<u>\$ 6,187,121</u>	<u>\$ 4,655,561</u>	304%
Total Net position	<u>\$ 69,297,932</u>	<u>\$ 77,412,865</u>	<u>\$ 8,114,933</u>	12%
		\$	\$	

By far the largest portion of the District's net position reflects its investment in capital assets, less any related debt that is still outstanding that was used to acquire those assets. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's Net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned Net position, \$6,187,121 may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of Net position.

Change in Net position. Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net position and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Comparative Change in Net position
FY 12 vs. FY 13

Governmental Activities

	FY 2012	FY 2013	Difference	%
Revenues:				
Program Revenues				
Charges for services	\$ 6,809,321	\$ 6,166,958	\$ (642,363)	-9%
Operating				
Grants/Contributions	\$ 20,163,101	\$ 19,399,015	\$ (764,086)	-4%
Capital Grants/Contributions	\$ 4,452	\$ 14,413	\$ 9,961	69%

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

General Revenues				
Property Taxes	\$ 18,996,548	\$ 20,870,164	\$ 1,873,616	9%
State Formula Aid	\$ 61,552,026	\$ 62,872,079	\$ 1,320,053	2%
Federal Formula Aid	\$ 7,084,303	\$ 6,723,367	\$ (360,936)	-5%
General Taxes	\$ 16,677,901	\$ 16,679,159	\$ 1,258	0%
Other	\$ 435,347	\$ 297,030	\$ (138,317)	-47%
Total Revenue	<u>\$131,722,999</u>	<u>\$133,022,185</u>	<u>\$ 1,299,186</u>	1%
Expenditures:				
Instruction	\$ 64,707,017	\$ 61,884,463	\$ (2,822,554)	-4%
Support Services	\$ 52,227,889	\$ 48,354,921	\$ (3,872,968)	-8%
Non-instruction services	\$ 9,279,286	\$ 10,395,424	\$ 1,116,138	11%
Other	\$ 4,259,695	\$ 4,272,444	\$ 12,749	0%
Total Expenditures	<u>\$130,473,887</u>	<u>\$124,907,252</u>	<u>\$ (5,566,635)</u>	-4%
Inc/Dec (Net position)	<u>\$ 1,249,112</u>	<u>\$ 8,114,933</u>	<u>\$ 6,865,821</u>	85%

Substantial fluctuations occurred in specific government activity categories; decreases were seen in the instructional and support services area largely due the decreasing number of staff due to the decline in enrollment as well as the district conservation approach to spending.

It must also be noted that the District's Net position increased by \$6.8 million over the FY 2012 school year.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

Governmental funds. The general fund is the chief operating fund of the District. At June 30, 2013, the general fund cash fund balance was \$5,109,503 with \$4,048,806 unassigned, \$354,773 non-spendable, and \$705,924 assigned.

The costs of the District's main activities: instruction, support services, non-instruction services, capital outlay, and debt service are shown in comparison from FY12 to FY13.

Lawton Independent School District No. 8
Comanche County
Comparison of Total Costs
FY 12 vs. FY 13

**Lawton Independent School District No. 8
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013**

	<i>FY 2012</i>	<i>FY 2013</i>	<i>Change</i>	<i>% Change</i>
Instruction	\$ 65,019,217	\$ 62,309,781	\$ (2,709,436)	-4.35%
Support services	\$ 52,300,509	\$ 48,510,859	\$ (3,789,650)	-7.81%
Non-instructional services	\$ 8,394,147	\$ 8,781,342	\$ 387,195	4.41%
Capital outlay	\$ 10,477,037	\$ 4,771,556	\$ (5,705,481)	-119.57%
Debit Service	\$ 8,067,688	\$ 7,975,812	\$ (91,876)	-1.15%
Other outlays	\$ 618,660	\$ 170,354	\$ (448,306)	-263.16%
Total cost of services	\$144,877,258	\$132,519,704	(\$12,357,554)	-9.33%

The decrease in Instruction by \$2,709,436 was due to the decrease in staff members with the closing of Country Club Heights along with no building allocations given to the sites during the FY 2013 school year and an increase of \$5,705,481 capital outlay resulting less construction projects completed during the FY 2013 school year.

Capital Assets and Debit Administration

Capital Assets. The greatest increase in the District's capital assets comes in the areas of Improvements; the increase was due the completion of the HVAC project at Eisenhower High School and the partial remodel at the Douglass Professional Development Center. The HVAC projects at Whittier, Almor West and MacArthur High School were started and along with the Almor West roof project classroom additions at Sullivan Village, Cleveland, Pioneer Park, Eisenhower Elementary, MacArthur High School, and Lawton High School.

Overall the capital assets increased by only \$12,220 before depreciation and \$618,858 net, after depreciation.

**Lawton Independent School District No. 8
Comanche County
Comparison of Capital Assets, Net of Depreciation
FY 12 vs. FY 13**

	<i>FY 2012</i>	<i>FY 2013</i>	<i>Increase/ Decrease</i>	<i>% Change</i>
Capital Assets (not				

Lawton Independent School District No. 8
Comanche County, Oklahoma

Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013

depreciated)				
Land	\$3,102,268.94	\$3,034,868.94	(\$67,400.00)	-2%
Construction in Progress	\$1,291,650.81	\$1,990,130.18	\$698,479.37	35%
Total Capital Assets (not depreciated)	\$4,393,919.75	\$5,024,999.12	\$631,079.37	13%
Capital Assets (depreciated)				
Buildings	\$78,048,377.78	\$77,367,072.65	(\$681,305.13)	-1%
Improvements	\$18,920,529.71	\$21,404,599.47	\$2,484,069.76	12%
Furniture and Equipment	\$4,090,133.80	\$4,236,077.22	\$145,943.42	3%
Musical Instruments	\$1,518,571.25	\$1,518,571.25	\$0.00	0%
Computers	\$9,643,659.06	\$9,873,625.45	\$229,966.39	2%
Vehicles	\$8,556,179.78	\$9,021,101.68	\$464,921.90	5%
Total Capital Assets (depreciated)	\$120,777,451.38	\$123,421,047.72	\$2,643,596.34	2%
Accumulated Depreciation				
Buildings	(\$35,912,551.57)	(\$36,569,907.04)	(\$657,355.47)	2%
Improvements	(\$3,932,722.40)	(\$4,785,143.22)	(\$852,420.82)	18%
Furniture and Equipment	(\$2,744,752.19)	(\$2,943,460.40)	(\$198,708.21)	7%
Musical Instruments	(\$1,481,896.06)	(\$1,493,544.29)	(\$11,648.23)	1%
Computers	(\$6,665,578.00)	(\$7,436,431.97)	(\$770,853.97)	10%
Vehicles	(\$6,440,692.38)	(\$6,605,522.94)	(\$164,830.56)	2%
Total Accumulated Depreciation	(\$57,178,192.60)	(\$59,834,009.86)	(\$2,655,817.26)	4%
Total Net Capital Assets (depreciated)	\$63,599,258.78	\$63,587,037.86	(\$12,220.92)	0%
Net Government Activity - Capital Assets	\$67,993,178.53	\$68,612,036.98	\$618,858.45	1%

Additional information concerning the District's Capital Assets is contained in the notes to the financial statements on page 37.

Debt. At the close of FY 2013 the Districts Bonds Payable decreased by net \$3,000,000. The accrued compensated absences decreased by only \$247,413; -15% over FY 2013 due to the large number of retirement of long term employees. The Lease Revenue Note Payable of \$20,000,000 in conjunction with the City Sales Tax passed for the renovation and construction of various school sites decrease by \$4,000,000. The District's Judgment Payable decreased by \$483,333 after making the second payment toward \$1,450,000 Judgment from the retired teachers.

**Lawton Independent School District No. 8
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013**

**Lawton Independent School District No. 8
Comanche County
Comparison of Long-Term Liabilities
FY 12 vs. FY 123**

	FY 2012	FY 2013	Increase/ Decrease	% Change
Bonds Payable	\$ 11,860,000	\$ 8,860,000	\$ (3,000,000)	-34%
Lease Note Payable	\$ 12,245,000	\$ 8,245,000	\$ (4,000,000)	-49%
Lease Escrow/TAC Energy Project	\$ 1,984,866	\$ 1,828,205	\$ (156,660)	-9%
Judgment	\$ 966,667	\$ 483,334	\$ (483,333)	0%
Accrued compensated absences	\$ 1,891,784	\$ 1,644,371	\$ (247,413)	-15%
Total long-term liabilities	<u>\$ 28,948,316</u>	<u>\$ 21,060,910</u>	<u>\$ (7,887,407)</u>	-37%

Additional information concerning the District's long-term liabilities is contained in the notes to the financial statements on pages 34-35.

General Fund Budgetary Highlights

During the 2012-2013 year, the district estimated \$112,989,277 general fund revenue to be collected with \$96,964,511 of that revenue as district wide. However, the general fund actually collected \$119,077,435 with \$102,263,577 designated as district wide revenue. This was a 5.38% increase in total estimated revenue with a 4.69% increase in the district wide portion due to the increase in state aid and prior year impact aid.

The FY'13 budget also projected expenditures of \$112,989,277 leaving the reserve at \$0. The actual general fund expenditures came to \$113,967,932 with \$97,336,887 spent in district wide expenditures.

The FY'13 budget projected salaries at \$76,516,438 and \$22,591,987 for benefits; totaling \$99,108,425. The district closed the year with salaries and benefits totaling \$100,776,260; with \$77,955,998 in salaries and \$22,820,262 in benefits.

***Lawton Independent School District No. 8
Comanche County, Oklahoma***

***Management's Discussion and Analysis (unaudited)
For the Fiscal Year Ending June 30, 2013***

Current & Future Issues

The FY'14 projected budget forecasts revenue to be smaller than the FY'13 projected revenue collected using a very conservative approach to the estimates along with a shift back to the regulatory accounting principles instead of the GAAP accounting principles.

The general fund projected revenue of \$118,157,016 is an overall decrease of only \$920,419 from the FY'13 actual revenue collected. The projected budget decreases are also due to the decrease in federal programs as a result of sequestration. Although, the FY'14 budget will again include one renewing federal grant (DOD STEM Grant) totaling \$1,455,531. Salaries are projected at \$77,225,481 and benefits \$23,045,256; totaling \$100,270,737.

The FY'14 Building Levy portion of this budget will appear to increase dramatically due to the DOD/Freedom Elementary school construction. The FY'14 ad valorem revenue will only increase slightly by \$81,463 over the projected FY'13 ad valorem revenue; however it is a decrease of \$86,633 over the FY'13 actual ad valorem revenue collected again using a very conservative approach to the revenue estimates.

The FY'14 Bond Fund budget of \$4,000,433 will be used to complete the remaining HVAC projects at five elementary schools, MMS, EMS, and the LHS Roof project.

The FY'14 Municipal Tax Fund budget of \$8,013,320 has been designated to complete the projects at Almor West, Adams, Edison and Freedom Elementary.

Contacting the District's Chief Financial Officer

This financial report is intended to provide our citizens, taxpayers, investors and creditors with a general overview of District's finances and to confirm our commitment to accountability for the monies entrusted to our stewardship. If you have questions about this report or need additional financial information, inquiries should be directed to Mrs. Diane Branstetter, Lawton Public Schools, 753 NW Ft. Sill Blvd., Lawton, Oklahoma 73507.

BASIC FINANCIAL STATEMENTS

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 830,701
Investments	35,333,141
Property Tax Receivables, Net	2,365,428
Due from Other Governments	3,060,396
Other Receivables	1,048,007
Notes Receivable	162,200
Prepaid Maintenance Expense	1,849,217
Inventories	384,454
Capital Assets:	
Nondepreciated Capital Assets	5,024,999
Depreciated Capital Assets, Net of Depreciation	<u>63,587,038</u>
 Total Assets	 <u>\$ 113,645,581</u>
 LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable	238,233
Salaries and Related Benefits	14,765,808
Accrued Interest	167,764
Long -Term Liabilities	
Due within One Year	7,868,556
Due in More than One Year	<u>13,192,355</u>
 Total Liabilities	 <u>\$ 36,232,716</u>
 Net Position	
Net Investment in Capital Assets	\$ 62,499,861
Restricted for	
Building Services	1,241,577
Debt Service	5,731,561
Other	32,393
Scholarships	1,241
School Organizations	1,719,111
Unrestricted	<u>6,187,121</u>
Total Net Position	<u><u>\$ 77,412,865</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2013

<i>Functions/Programs</i>	Program Revenues			Net (Expense) Revenue and	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position Primary Government Governmental Activities
Primary Government					
Governmental Activities					
Instruction	\$ 61,884,463	\$ 576,740	\$ 13,171,708	\$ 14,413	\$ (48,121,602)
Support Services	48,354,921	2,462,093	311,862	-	(45,580,966)
Operation of Noninstructional Services	10,395,424	3,128,125	5,915,445	-	(1,351,854)
Interest on long-term debt	460,075	-	-	-	(460,075)
Depreciation - unallocated	3,812,369	-	-	-	(3,812,369)
Total Governmental Activities	\$ 124,907,252	\$ 6,166,958	\$ 19,399,015	\$ 14,413	\$ (99,326,866)
General Revenues					
Taxes					
Property taxes, levied for general purposes					15,522,595
Property taxes, levied for building purposes					2,140,112
Property taxes, levied for sinking fund purposes					3,207,457
General Taxes					16,679,159
State aid - formula grants					62,872,079
Federal aid - formula grants					6,723,367
Investment Earnings					297,030
Total General Revenues					\$ 107,441,799
Change in Net Position					\$ 8,114,933
Net Position - Beginning					69,297,932
Net Position - Ending					\$ 77,412,865

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2013

	General Fund	Municipal Tax Fund	Sinking Fund	Other Governmental Funds	Total
Assets					
Cash and Cash Investments	\$ 5,857,033	\$ -	1,209,686	\$ 11,140	\$ 7,077,859
Pooled Cash and Investments	10,247,380	6,825,132	5,103,432	6,857,398	29,033,342
Property Taxes Receivable, Net	1,782,402	-	363,081	219,945	2,365,428
Other Receivables	211,823	167,256	668,880	48	1,048,007
Due from Other Governments	2,608,616	-	-	451,780	3,060,396
Prepaid Judgments	-	-	21,013	-	21,013
Due from Other Funds	485,598	-	-	16,765	502,363
Inventories - Supplies, materials	354,773	-	-	-	354,773
Total Assets	<u>\$ 21,547,625</u>	<u>\$ 6,992,388</u>	<u>\$ 7,366,092</u>	<u>\$ 7,557,076</u>	<u>\$ 43,463,181</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 101,585	\$ -	\$ -	\$ 136,648	\$ 238,233
Salaries and Related Benefits Payable	14,610,902	-	-	134,668	14,745,570
Due to Other Funds	-	-	16,765	485,598	502,363
Deferred Revenues	1,725,635	-	351,458	211,828	2,288,921
Total Liabilities	<u>\$ 16,438,122</u>	<u>\$ -</u>	<u>\$ 368,223</u>	<u>\$ 968,742</u>	<u>\$ 17,775,087</u>
Fund Balances					
Nonspendable	\$ 354,773	\$ -	\$ -	\$ -	\$ 354,773
Restricted	-	6,991,286	6,997,869	4,869,224	18,858,379
Committed	-	-	-	1,719,110	1,719,110
Assigned	705,924	1,102	-	-	707,026
Unassigned	4,048,806	-	-	-	4,048,806
Total Fund Balances	<u>\$ 5,109,503</u>	<u>\$ 6,992,388</u>	<u>\$ 6,997,869</u>	<u>\$ 6,588,334</u>	<u>\$ 25,688,094</u>
Total Liabilities and Fund Balances	<u>\$ 21,547,625</u>	<u>\$ 6,992,388</u>	<u>\$ 7,366,092</u>	<u>\$ 7,557,076</u>	
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The costs of assets is \$128,446,048 and the accumulated depreciation is \$59,834,011.					68,612,037
Receivables collected more than 60 days after year-end are not available as current financial resources in the funds but are considered revenues in the statement of activities					2,288,929
Some receivables are not reported in the governmental funds because they are not due in the current period					162,200
Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned about the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds					29,682
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds of the District. These assets and liabilities of the internal service funds, which are reported as proprietary funds rather than governmental funds, are included in governmental activities in the statement of net assets					32,393
Prepaid fees related to capital lease purchase agreement is reported for governmental activities but not at the fund level					1,828,204
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:					
Bonds Payable			8,860,000		
Lease Bond			8,245,000		
Lease Escrow/TAC Energy Project			1,828,205		
Judgments			483,334		
Compensated Absences			1,644,372		
Accrued interest			167,764		
			<u>(21,228,675)</u>		
Net assets of governmental activities.					<u>\$ 77,412,864</u>

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Municipal Tax Fund	Sinking Fund	Other Governmental Funds	Total
REVENUE					
Property Taxes	\$ 15,075,674	\$ -	\$ 3,206,324	\$ 2,156,633	\$ 20,438,631
Interest	8,882	1,102	286,316	698	296,998
County Revenue	2,445,448	-	-	-	2,445,448
State Revenue	73,610,297	-	-	526,561	74,136,858
Federal Revenue	22,681,978	-	-	529,851	23,211,829
Other	<u>2,494,280</u>	<u>1,066,903</u>	<u>4,193,112</u>	<u>3,131,969</u>	<u>10,886,264</u>
 Total Revenue	 <u>\$ 116,316,559</u>	 <u>\$ 1,068,005</u>	 <u>\$ 7,685,752</u>	 <u>\$ 6,345,712</u>	 <u>\$ 131,416,028</u>
EXPENDITURES					
Current					
Instruction	\$ 61,388,101	\$ -	\$ -	\$ 921,680	\$ 62,309,781
Support Services	44,697,595	650,041	-	3,163,223	48,510,859
Non-instruction Services	7,766,620	-	-	1,014,722	8,781,342
Capital Outlay	-	1,705,925	-	3,065,631	4,771,556
Other Outlays	115,616	-	-	54,738	170,354
Debt Service					
Judgments and Related Interest	-	-	540,645	-	540,645
Interest Paid	-	-	435,167	-	435,167
Principal Retirement	<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>
 Total Expenditures	 <u>\$ 113,967,932</u>	 <u>\$ 2,355,966</u>	 <u>\$ 7,975,812</u>	 <u>\$ 8,219,994</u>	 <u>\$ 132,519,704</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 2,348,627</u>	 <u>\$ (1,287,961)</u>	 <u>\$ (290,060)</u>	 <u>\$ (1,874,282)</u>	 <u>\$ (1,103,676)</u>
Other Financing Sources					
Transfers	786,496	-	-	(512,496)	274,000
Sale of Capital Assets	<u>480,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,923</u>
Total Other Financing Sources	<u>\$ 1,267,419</u>	<u>-</u>	<u>-</u>	<u>(512,496)</u>	<u>754,923</u>
 Net Change in Fund Balances	 <u>\$ 3,616,046</u>	 <u>(1,287,961)</u>	 <u>(290,060)</u>	 <u>(2,386,778)</u>	 <u>(348,753)</u>
 Fund Balances - Beginning	 <u>1,493,457</u>	 <u>8,280,349</u>	 <u>7,287,929</u>	 <u>8,975,112</u>	 <u>26,036,847</u>
Fund Balances - Ending	<u><u>\$ 5,109,503</u></u>	<u><u>\$ 6,992,388</u></u>	<u><u>\$ 6,997,869</u></u>	<u><u>\$ 6,588,334</u></u>	<u><u>\$ 25,688,094</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

*Amounts reported for governmental activities
in the statement of activities are different because:*

Net change in fund balances - total governmental funds		\$ (348,753)									
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>											
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Capital Outlay, net</td> <td style="width: 10%; text-align: right;">\$ 4,626,162</td> <td style="width: 40%;"></td> </tr> <tr> <td>Depreciation Expense</td> <td style="text-align: right;"><u>(3,812,369)</u></td> <td style="text-align: right;">813,793</td> </tr> </table>	Capital Outlay, net	\$ 4,626,162		Depreciation Expense	<u>(3,812,369)</u>	813,793				
Capital Outlay, net	\$ 4,626,162										
Depreciation Expense	<u>(3,812,369)</u>	813,793									
<p>The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.</p>											
		(194,934)									
<p>Because some revenue will not be collected for several months after fiscal year end they are not considered "available" revenues in the funds and are instead deferred. They are however recorded as revenues in the statement of activities</p>											
		434,415									
<p>In the statement of activities, compensated absences are measured by the amounts earned and unused during the year. In governmental funds, expenditures is the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned was less than the amounts used.</p>											
		247,414									
<p>Repayment of debt is an expenditure in the governmental funds, but repayment of debt reduced long-term liabilities in the statement of net assets</p>											
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bonds payable</td> <td style="width: 10%; text-align: right;">\$ 3,000,000</td> <td style="width: 40%;"></td> </tr> <tr> <td>Lease payable</td> <td style="text-align: right;">4,000,000</td> <td></td> </tr> <tr> <td>Judgment payable</td> <td style="text-align: right;"><u>483,333</u></td> <td style="text-align: right;">7,483,333</td> </tr> </table>	Bonds payable	\$ 3,000,000		Lease payable	4,000,000		Judgment payable	<u>483,333</u>	7,483,333	
Bonds payable	\$ 3,000,000										
Lease payable	4,000,000										
Judgment payable	<u>483,333</u>	7,483,333									
<p>The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the statement of net assets</p>											
		(10,235)									
<p>Some sales of assets were financed through notes. In governmental funds, these sales are considered a source of revenue as the funds are received, but in the statement of net assets, the notes receivable are reported as assets</p>											
		(16,300)									
<p>Internal service funds are used to charge costs of workers' compensation and unemployment to individual funds. The governmental funds included expenditures of \$20,000 and \$48,689 respectively. The expenses of the governmental activities however reflects the actual costs incurred, (\$22,216) and (\$98,678) respectively. The difference represents the undercharge by the internal service funds that is allocated back to governmental activities and transfers</p>											
		(326,205)									
<p>Interest on long-term debt in the statement of activities differs from amounts reported in the governmental funds because interest is recorded as a used of current financial resources when paid in the funds but as it accrues in the statement of activities regardless of when it is paid</p>											
		<u>32,404</u>									
Change in net assets position of governmental activities.		<u>\$ 8,114,932</u>									

See Notes to Financial Statements

Lawton Independent School District No. 8
 Comanche County, Oklahoma
 Statement of Net Position – Proprietary Funds
 June 30, 2013

	Internal Service Funds		
	Workers' Compensation	Cafeteria	Total Proprietary Funds
ASSETS			
Cash and Cash Investments	\$ 9,943	\$ 42,689	\$ 52,632
Total Assets	\$ 9,943	\$ 42,689	\$ 52,632
 LIABILITIES			
Salaries and Related Benefits Payable	\$ -	\$ 20,238	20,238
 Net Position			
Restricted Expendable	\$ 9,943	\$ 22,451	\$ 32,394

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2013

	<u>Internal Service Funds</u>		<u>Total Proprietary</u>
	<u>Workers' Compensation</u>	<u>Cafeteria</u>	
Operating Revenues			
Charges to other funds	\$ 20,000	\$ 48,689	\$ 68,689
Total Operating Revenues	<u>\$ 20,000</u>	<u>\$ 48,689</u>	<u>\$ 68,689</u>
Operating Expenses			
Other Outlays	\$ 22,216	\$ 7,212	\$ 29,428
Other Refunds	-	91,466	91,466
Total Operating Expenses	<u>\$ 22,216</u>	<u>\$ 98,678</u>	<u>\$ 120,894</u>
Operating Loss	\$ (2,216)	\$ (49,989)	\$ (52,205)
Transfers Out	-	(274,000)	(274,000)
Change in net position	(2,216)	(323,989)	(326,205)
Net Position- Beginning	<u>12,159</u>	<u>346,440</u>	<u>358,599</u>
Net Position- Ending	<u><u>\$ 9,943</u></u>	<u><u>\$ 22,451</u></u>	<u><u>\$ 32,394</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Cash Flows– Proprietary Funds
For the Year Ended June 30, 2013

	Internal Service Funds		
	Workers' Compensation	Cafeteria	Total Proprietary
Cash Flows from Operating Activities			
Received from assessments made to other funds	\$ 20,000	\$ 48,689	\$ 68,689
Payments of claims	(22,216)	(78,440)	(100,656)
Net cash used by operating activities	\$ (2,216)	\$ (29,751)	\$ (31,967)
Cash Flows from Noncapital Financing Activities			
Operating transfers to other funds	\$ -	\$ (274,000)	\$ (274,000)
Net decrease in cash	\$ (2,216)	\$ (303,751)	\$ (31,967)
Cash and cash equivalents, Beginning	12,158	346,431	358,589
Cash and cash equivalents, Ending	\$ 9,942	\$ 42,680	\$ 326,622
Cash Flows from Operating Activities			
Operating loss	\$ (2,216)	\$ (49,989)	\$ (52,205)
Adjustments to reconcile operating loss to			
Net cash used by operating activities			
(Increase) Decrease in:			
Accounts receivable	-	-	-
Increase (Decrease) in:			
Accounts payable	-	20,238	20,238
Net cash used by operating activities	\$ (2,216)	\$ (29,751)	\$ (31,967)

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Statement of Fiduciary Net Position
June 30, 2013

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and Cash Investments	\$ -
Pooled Cash and Investments	56,636
Other Receivables	<u>2</u>
Total Assets	<u><u>\$ 56,638</u></u>
 LIABILITIES	
Net Position	
Reserved for Scholarships	<u><u>\$ 56,638</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8
 Comanche County, Oklahoma
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2013

	<u>Private- Purpose Trust</u>
Additions:	
Private Donations	\$ -
Interest	23
	<u>23</u>
Total Additions	<u>\$ 23</u>
Deductions	
Scholarships Awarded	\$ 2,800
Other Refunds	3,484
	<u>3,484</u>
Total Deductions	<u>\$ 6,284</u>
Change In Net Position	\$ (6,261)
Net Position- Beginning	<u>62,899</u>
Net Position- Ending	<u><u>\$ 56,638</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8
Comanche County, Oklahoma
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The Lawton Independent School District No. 8 (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 the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) promulgated by The Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing GAAP for state and local governments through its statements and interpretations.

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 governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Position, the District's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's Net Position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

All interfund transactions between governmental funds and internal service funds are eliminated in the

Lawton Independent School District No. 8
Comanche County, Oklahoma
Notes to Financial Statements
June 30, 2013

district- wide statements.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the district- wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental, proprietary, and fiduciary fund categories. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

The District reports the following major governmental funds:

- General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Sinking Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt
- Municipal Tax Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment as approved by voters for a special sales tax.

Additionally, the District reports the following fund types that are included in other governmental funds: Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund.

Proprietary Funds- Internal Service Funds – Revenues and expenses related to services provided to organizations within the District on a cost reimbursement basis are accounted for in the internal service fund. The District's Internal Service Funds are the Workers' Compensation Fund (which is used only to

Lawton Independent School District No. 8
Comanche County, Oklahoma
Notes to Financial Statements
June 30, 2013

fund remaining claims after self-insurance was discontinued in 2000) and the Cafeteria Incentive Payment Fund (which is used to account for funds accumulated to compensate employees, who terminate or retire, for not using all of their sick leave).

Fiduciary Funds- Private purpose trust fund - The District accounts for resources held in a trust or custodial capacity for individuals or private organizations. These funds are primarily used for scholarships.

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

Accrual: The government-wide financial statements are presented on the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual: The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Receivables – All receivables are expected to be collected within a year and are reported net of estimated uncollectible amounts.

Inventories - Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an expenditure when used rather than when purchased.

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds.

Lawton Independent School District No. 8
Comanche County, Oklahoma
Notes to Financial Statements
June 30, 2013

Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

• School Buildings	50 years
• Improvements	25 years
• Band Instruments	7 years
• Computers and Related Equipment	5 years
• Furniture and Equipment	10 years
• Vehicles	12 years

Compensated Absences – Sick leave is provided to all personnel who work more than 172 contract days per year. Employees on 9 or 10-month contracts earn 10 days per year. Employees on 12-month contracts earn 12 days per year. The District has a sick leave accumulation incentive program to encourage accumulation of sick leave by offering a stipend at time of termination or retirement. The stipend is based on a tier system, which pays a different rate per day for each tier, from \$5 per day to \$20 per day. The maximum amount of the stipend is \$3,000.

Personnel in a full-time position, six or more hours per day, earn vacation time based on years of service. Those with less than 4 years of service earn 1 day per month of employment up to a maximum of 10 days per year and accumulated maximum of 20 days. Those with 4 or more years of service earn 1.5 days per month of employment up to a maximum of 15 days per year and an accumulated maximum of 30 days. Upon retirement or termination, the accumulated days are reimbursed at the employee's effective rate of pay.

Budgets and Budgetary Accounting - The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Because a majority of voters of the District approved a permanent levy in 2001 for the emergency levy and local support levy, an election to approve the levy is no longer held.

No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county 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.

A budget is legally adopted by the Board of Education for the General Fund, Building Fund and the Debt Service Fund that includes revenues and expenditures.

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Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

Cash and Cash Equivalents - The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on month-end deposit balances. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

Investments - The District's investment policies are governed by state statutes. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

Property Tax Revenues - The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. 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.

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2012 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria

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is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because all amounts are deemed collectible.

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. Approximately 56% of the District's revenue comes from state sources.

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 programs for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transfers - During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions that are normal and recurring between funds are recorded as transfers.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 -Net Position and Fund Balance

District-Wide Financial Statements – When the District incurs an expense for which it may use either restricted or unrestricted Net Position, it uses restricted Net Position first unless unrestricted Net Position will have to be returned because they were not used. Net Position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – The component of net position that reports the amount of funds restricted for payment of principal and interest on debt. This amount is restricted by enabling legislation and debt covenants.

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Restricted for Buildings – The component of net position that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District’s buildings. This amount is restricted by enabling legislation.

Restricted for School Organizations – The component of net position that report the assets restricted for use by student organizations and extracurricular activities. This amount is restricted by regulations of the Oklahoma State Department of Education.

Restricted for Other – The component of net position that reports the assets restricted for payment of sick leave incentive program, outstanding workers’ compensation claims, and unemployment claims for employees paid with federal salaries.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

The government-wide statement of net position reports \$8,725,883 of restricted net position.

Governmental Fund Financial Statements –. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventory as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school construction expenditures as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Other purposes are restricted for scholarship purposes from contributors.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of expenditures.

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Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. The District has assigned funds for education that are to be used for utilities, contract services, construction and repairs, food services, textbooks and other operating expenditures.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification would also include any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District has not established a formal stabilization arrangement regarding minimum funding requirements.

As of June 30, 2013, fund balances are comprised of the following:

	General Fund	Municipal Tax Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Nonexpendable					
Inventory	\$ 354,773	\$ -	\$ -	\$ -	\$ 354,773
Restricted					
Debt Service	-	-	6,997,869	-	6,997,869
School Construction	-	6,991,286	-	4,000,434	10,991,720
Building Operation and Maintenance	-	-	-	867,549	867,549
Scholarships	-	-	-	1,241	1,241
Committed					
School Organizations	-	-	-	1,719,110	1,719,110
Assigned					
Supplies and equipment	516	-	-	-	516
Construction and repairs	204,340	-	-	-	204,340
Contract services	126,048	1,102	-	-	127,150
Food services	56,139	-	-	-	56,139
Dues, travel, registration and cocurricula	12,277	-	-	-	12,277
Communications	306,604	-	-	-	306,604
Unassigned	4,048,806	-	-	-	4,048,806
	<u>\$ 5,109,503</u>	<u>\$ 6,992,388</u>	<u>\$ 6,997,869</u>	<u>\$ 6,588,334</u>	<u>\$ 25,688,094</u>

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Note 3 - Cash and Investments

Deposits – At June 30, 2013, the bank balance of deposits and cash pools was \$14,560,740. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2013, the District was not exposed to custodial credit risk.

Investments - The District participates in an external investment pool, Oklahoma Public School Liquid

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Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association, Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and the Oklahoma Association of School Business Officials. OLAP is governed through an inter local cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP reported value and fair market value are equal at June 30, 2013. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit www.OLAPonline.org. OLAP's portfolio consists of cash and short-term investments valued at amortized cost which approximates fair value. OLAP invest in obligations of the U.S Government, its agencies and instrumentalities and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and the OLAP custodian takes delivery of the collateral.

The District's other investments consist of money market mutual fund investments held in sweep accounts, judgments owned by the District and short term investment fund cash held in money market mutual funds and insured accounts. Total investments at June 30, 2013 are \$35,389,771 which are shown on the statement of net position at \$35,333,136 and on the statement of fiduciary net position at \$56,636

Credit Risk - Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its exposure arising from concentration of investments. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The money market mutual fund investments of \$6,041,739 held with Banc First, are rated AAA by Standard & Poor's. OLAP held securities of \$23,014,846 have Standard & Poor's ratings of 9.9 percent AA+, 5.1 percent NA, and 85 percent NR. Securities with an NA rating are governmental securities and securities with NR rating are bank deposit accounts. U.S. Government money market funds and insured accounts of \$6,333,128 held by Bank of Oklahoma are restricted in use and have Standard & Poor's rating of AAA.s

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the nature of the District's investments, there are no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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Note 4 - Long-Term Liabilities

The long-term liability balances and activity for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	\$ 11,860,000	\$ -	\$ 3,000,000	\$ 8,860,000	\$ 3,000,000
Lease note payable	12,245,000	-	4,000,000	8,245,000	4,075,000
Lease escrow/TAC energy project	1,984,865	-	156,660	1,828,205	164,738
Judgment payable	966,667		483,333	483,334	483,333
Compensated absences	1,891,786	727,424	974,838	1,644,372	145,485
	<u>\$ 28,948,318</u>	<u>\$ 727,424</u>	<u>\$ 8,614,831</u>	<u>\$ 21,060,911</u>	<u>\$ 7,868,556</u>

Payments on bonds are made by the debt service fund with property taxes. Compensated absences and early retirement incentive are generally liquidated by the general fund.

Bonds: Bonds payable June 30, 2013, is composed of the following individual general obligation bond issues:

Original Issue Amount	Purpose	Issue Date	Final Payment	Interest Rates	Maturity
\$ 3,000,000	Building	4/1/2010	\$ 3,000,000	2.000%	8/1/2013
3,000,000	Building	6/1/2011	3,000,000	1.125%	8/1/2014
2,860,000	Building	8/1/2012	3,000,000	0.700%	8/1/2015

The annual requirements to amortize all bond debt outstanding as of June 30, 2013 including interest payments are as follows:

Year Ending June 30	Principial	Interest	Total
2014	\$ 3,000,000	\$ 83,770	\$ 3,083,770
2015	3,000,000	36,895	3,036,895
2016	2,860,000	10,010	2,870,010
	<u>\$ 8,860,000</u>	<u>\$ 130,675</u>	<u>\$ 8,990,675</u>

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2013 is \$43,517,489.

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Proceeds of general obligation bond issues are recorded in the bond fund and at least 85% of the proceeds are restricted to the use for which they were approved in the bond elections.

The judgment against the District in 2011 was paid in full by the County of Comanche (the County) and will be levied through the District's sinking fund and paid back to the County over a three-year period pursuant to state law. Interest will be paid at 5.25%.

Capital Lease: On June 17, 2009, the District entered into a lease purchase agreement for the purchase of small equipment and supplies as part of an energy conservation project for public school buildings in the amount of \$2,266,429. Annual payments are made from the sinking fund. As of June 30, 2013, all equipment and supplies have been purchased and installed. The remaining balance of \$1,849,217 is shown on the statement of net position as prepaid maintenance expense. The following schedule presents future minimum lease payments:

	2014	2015	2016	2017	1905	Thereafter	Total
Future Minimum Lease Payments	\$ 259,000	\$ 259,000	\$ 259,000	\$ 259,000	\$ 259,000	\$ 1,036,000	\$ 2,331,000
Less Interest	<u>(94,262)</u>	<u>(85,768)</u>	<u>(76,837)</u>	<u>(67,444)</u>	<u>(57,568)</u>	<u>(120,917)</u>	<u>(502,796)</u>
Present Value of Minimum Lease Payments	<u>\$ 164,738</u>	<u>\$ 173,232</u>	<u>\$ 182,163</u>	<u>\$ 191,556</u>	<u>\$ 201,432</u>	<u>\$ 915,083</u>	<u>\$ 1,828,204</u>

See Note 12 for further discussion of the lease note payable.

Note 5 - Employee Retirement System

Plan Description - The District contributes to the state-administered Oklahoma Teachers' Retirement System ("the System"), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is administered by a board of trustees. PERS provides retirement, disability and death benefits to plan members and beneficiaries. Oklahoma State Statute 70, Article 17 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. The System issues a publicly available report that includes financial statements and required supplementary information for PERS. That report may be obtained by contacting the Oklahoma Teachers' Retirement System.

Funding Policy – Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2013. Plan members are required to contribute 7% of their annual covered salary. The District's contributions to PERS (net of retirement credit paid by the State of Oklahoma) for the years ending June 30, 2013, 2012, and 2011 were \$6,598,960, \$6,844,121, and \$7,132,862, respectively, equal to the required contributions for each year. State of Oklahoma contributions to the System on behalf of the District's employees for the year ended June 30, 2013 were not available.

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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.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District's sinking fund over a three-year period pursuant to state law. See note 3 for further discussion of current year judgments.

In exchange for \$50, the District entered into a lease with the City of Lawton for use of the original Lawton High School building. The lease has a 50 year term commencing fiscal year 2010. The property will become the City of Lawton's at the end of the lease.

The District has outstanding construction commitments of \$40,330,000.

Note 7 - 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 the prior year and settlements have not exceeded coverage in the past three years.

Note 8 - Notes Receivable

Notes receivable includes the following:

Note for sale of Country Club Heights Elementary, payments of \$25,000 down, \$1,600 per month through November, 2013 then final payment of \$155,800 by November 1, 2013	\$ 162,200
Current Portion	(162,200)
Long-term Portion	<u><u>\$ -</u></u>

Note 9 - Schedule of Transfers

Transfer From	Transfer to	Amount	Nature of Transfer
Cafeteria Fund	General Fund	\$ 274,000	Operating transfer
Activity Fund	General Fund	512,496	Operating transfer

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Note 10 - Operating Lease

The District has a lease with a vendor for the use of copier machines at all District locations. The lease expired on June 30, 2013 but was renewed by the District for an additional year which ends June 30, 2014. The lease is renewable at the District's option for one year increments. The total lease expense paid by the District for the year ended June 30, 2013 was approximately \$437,256 Total lease expense anticipated for fiscal year 2014 is approximately \$550,000.

Note 11 - Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 3,102,269	\$ -	\$ 67,400	\$ 3,034,869
Construction in progress	1,291,651	1,990,130	1,291,651	1,990,130
Total capital assets, not being depreciated	<u>\$ 4,393,920</u>	<u>\$ 1,990,130</u>	<u>\$ 1,359,051</u>	<u>\$ 5,024,999</u>
<i>Capital assets, being depreciated</i>				
Land Improvements	\$ 18,920,530	\$ 2,535,570	\$ 51,500	\$ 21,404,600
Buildings	78,048,378	-	681,305	77,367,073
Buses and Vehicles	8,556,180	598,942	134,020	9,021,102
Furniture and Equipment	4,090,134	177,783	31,839	4,236,078
Musical Instruments	1,518,571	-	-	1,518,571
Computers	9,643,659	615,388	385,421	9,873,626
Total capital assets, being depreciated	<u>\$ 120,777,452</u>	<u>\$ 3,927,683</u>	<u>\$ 1,284,085</u>	<u>\$ 123,421,050</u>
Less Accumulated Depreciation	<u>57,178,194</u>	<u>3,812,369</u>	<u>1,156,551</u>	<u>59,834,012</u>
Total capital assets, being depreciated, net	<u>\$ 63,599,258</u>	<u>\$ 115,314</u>	<u>\$ 127,534</u>	<u>\$ 63,587,038</u>
Governmental activities capital assets, net	<u>67,993,178</u>	<u>2,105,444</u>	<u>1,486,585</u>	<u>68,612,037</u>
Total Primary Government	<u>\$ 67,993,178</u>	<u>\$ 2,105,444</u>	<u>\$ 1,486,585</u>	<u>\$ 68,612,037</u>

Note 12 - Lease Revenue Bond Agreement

The District entered into a lease agreement on June 15, 2010 with the Oklahoma Development Finance Authority (the Authority) in which the Authority advanced \$20,000,000 in lease revenue bonds, series 2010, to the District for the acquisition and construction of buildings, improvements, and equipment. The District will use money received from the City of Lawton (the City) from a special sales tax voted and approved by voters of the City of Lawton for repayment of the lease (see Note 13).

A separate agreement between the Authority and the Oklahoma Department of Commerce (the Department) states that the Department has the obligation for making the interest cost payments on these lease revenue bonds issued by the Authority in accordance with the Military Base Protection and Expansion Incentive Act, Title 74, Section 5062.30 of the Oklahoma Statutes (the Oklahoma BRAC law). As such, interest has not been recorded on the District's financial statements per this agreement.

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The following schedule presents the revenue and payment activity per the agreement:

March 1	Amount	Rate	Yield
2014	4,075,000	2.30%	2.30%
2015	4,170,000	2.70%	2.70%

A principal payment of \$4,000,000 was made during fiscal year 2013 along with interest of \$286,315. The interest was paid by the Department during fiscal year 2013. The long-term lease payable is included on the accompanying statement of net position. See also Note 4.

A trustee bank holds the cash and transfers amounts to the District's accounts upon request of the District.

In the event that sufficient funds are not received from the City of Lawton for the payment of lease payments during the next succeeding fiscal year, the District may terminate its obligations under the lease and will not be required to pay the lease payments due after such termination.

Note 13 - Sales Tax Agreement

On December 15, 2009, the District signed an agreement with the City of Lawton to receive a one-half percent (.5%) sales tax for specified capital improvements, which include school building construction, renovation/remodeling and the purchase of buses. The voters of the City approved the collection of the sales tax effective January 1, 2010. The District accounts for the tax revenues separately in the municipal tax fund. Per the agreement, the District is to provide a report of expenditures to the City on a calendar quarter basis.

Note 14 - Subsequent Event

In August, 2012, the District entered into a contract for sale of Country Club Heights Elementary building to St. James Baptist Church for \$250,000 payable \$25,000 down at signing and \$1,600 per month starting October 1, 2012. The Church paid off this note subsequent to year-end..

Note 15 - New GASB Standard

In Fiscal year 2013, the District implemented GASB Statement 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. This statement includes a title change from the "Statement of Net Assets" to "Statement of Net Position", requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements for the District was the change in terminology "net assets" to "net position".

REQUIRED SUPPLEMENTARY INFORMATION

Lawton Independent School District No. 8
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Budgetary Comparison Schedule –General Fund (Unaudited)
For the Year Ended June 30, 2013

	Budgeted Amounts		Amounts	Actual Variance
	Original	Final	GAAP Basis	With Final Budget
REVENUE				
Property Taxes	\$ 13,908,065	\$ 15,124,215	\$ 15,075,674	\$ (48,541)
Interest	7,613	8,314	8,882	568
County Revenue	2,280,000	2,461,000	2,445,448	(15,552)
State Revenue	69,949,206	73,412,340	73,610,297	197,957
Federal Revenue	20,783,159	22,895,062	22,681,978	(213,084)
Other	1,931,546	2,929,188	2,975,203	46,015
Total Revenue	<u>\$ 108,859,589</u>	<u>\$ 116,830,119</u>	<u>\$ 116,797,482</u>	<u>\$ (32,637)</u>
EXPENDITURES				
Current				
Instruction	\$ 94,531,415	\$ 102,864,689	\$ 61,388,101	\$ 41,476,588
Support Services	4,654,254	4,654,254	44,697,595	(40,043,341)
Non-instruction Services	7,474,522	7,474,522	7,766,620	(292,098)
Other Outlays	4,269,533	4,269,533	115,615	4,153,918
Total Expenditures	<u>\$ 110,929,724</u>	<u>\$ 119,262,998</u>	<u>\$ 113,967,931</u>	<u>\$ 5,295,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,070,135)</u>	<u>\$ (2,432,879)</u>	<u>\$ 2,829,551</u>	<u>\$ 5,262,430</u>
Other Financing Sources				
Transfers In	\$ 415,000	\$ 762,826	786,496	23,670
Total Other Financing Sources	<u>415,000</u>	<u>762,826</u>	<u>786,496</u>	<u>23,670</u>
Net Change in Fund Balance	(1,655,135)	(1,670,053)	3,616,047	5,286,100
Fund Balance - Beginning	1,655,135	1,670,053	1,493,457	(176,596)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,109,504</u>	<u>\$ 5,109,504</u>

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Notes to Required Supplementary Information
June 30, 2013

Budgeting: No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county 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. A final budget may be revised upon approval of the Board of Education in open meeting.

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to a subsequent fiscal year.

Budgetary Comparisons

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District adopts annual budgets for the general fund, the building fund and the sinking fund. State law considers other District funds cash funds for budgetary purposes and thus the Municipal Sales tax fund does not have a legally adopted budget.

OTHER SUPPLEMENTARY INFORMATION

Lawton Independent School District No. 8
Comanche County, Oklahoma
Combining Balance Sheet – Other Governmental Funds
June 30, 2013

	Coop Fund	Building Fund	Gifts Fund	Bond Fund	Activity Fund	Total
Assets						
Cash and Cash Investments	\$ -	\$ -	\$ 500	\$ -	\$ 10,640	\$ 11,140
Pooled Cash and Investments	-	900,000	741	4,265,000	1,691,657	6,857,398
Property Taxes Receivable, Net	-	219,945	-	-	-	219,945
Other Receivables	-	-	-	-	48	48
Due from Other Governments	172,385	279,395	-	-	-	451,780
Due from Other Funds	-	-	-	-	16,765	16,765
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,765</u>	<u>16,765</u>
Total Assets	<u>\$ 172,385</u>	<u>\$ 1,399,340</u>	<u>\$ 1,241</u>	<u>\$ 4,265,000</u>	<u>\$ 1,719,110</u>	<u>\$ 7,557,076</u>
Liabilities						
Accounts Payable and Accrued Liab	\$ -	\$ 136,648	\$ -	\$ -	\$ -	\$ 136,648
Salaries and Related Benefits Payab	134,668	-	-	-	-	134,668
Due to Other Funds	37,717	183,315	-	264,566	-	485,598
Deferred Revenues	-	211,828	-	-	-	211,828
	<u>-</u>	<u>211,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,828</u>
Total Liabilities	<u>\$ 172,385</u>	<u>\$ 531,791</u>	<u>\$ -</u>	<u>\$ 264,566</u>	<u>\$ -</u>	<u>\$ 968,742</u>
Fund Balances						
Restricted	\$ -	\$ 867,549	\$ 1,241	\$ 4,000,434	\$ -	\$ 4,869,224
Committed	-	-	-	-	1,719,110	1,719,110
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,719,110</u>	<u>1,719,110</u>
Total Fund Balances	<u>-</u>	<u>867,549</u>	<u>1,241</u>	<u>4,000,434</u>	<u>1,719,110</u>	<u>6,588,334</u>
Total Liabilities and Fund Balances	<u>\$ 172,385</u>	<u>\$ 1,399,340</u>	<u>\$ 1,241</u>	<u>\$ 4,265,000</u>	<u>\$ 1,719,110</u>	<u>\$ 7,557,076</u>

Lawton Independent School District No. 8
Comanche County, Oklahoma
Combining Statement of Revenue, Expenditures and Changes in Fund Balance
– Other Governmental Funds
For the Year Ended June 30, 2013

	Coop Fund	Building Fund	Gifts Fund	Bond Fund	Activity Fund	Total
REVENUE						
Property Taxes	\$ -	\$ 2,156,633	\$ -	\$ -	\$ -	\$ 2,156,633
Interest	-	-	-	-	698	698
State Revenue	526,561	-	-	-	-	526,561
Federal Revenue	250,456	279,395	-	-	-	529,851
Other	<u>7,828</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>3,117,141</u>	<u>3,131,969</u>
Total Revenue	<u>\$ 784,845</u>	<u>\$ 2,436,028</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 3,117,839</u>	<u>\$ 6,345,712</u>
EXPENDITURES						
Current						
Instruction	\$ 371,207	17,161	\$ -	\$ -	\$ 533,312	\$ 921,680
Support Services	402,715	1,574,199	-	53,859	1,132,450	3,163,223
Non-instruction Services	-	-	-	-	1,014,722	1,014,722
Capital Outlay	-	568,160	-	2,497,351	120	3,065,631
Other Outlays	<u>10,923</u>	<u>-</u>	<u>6,819</u>	<u>-</u>	<u>36,996</u>	<u>54,738</u>
Total Expenditures	<u>\$ 784,845</u>	<u>\$ 2,159,520</u>	<u>\$ 6,819</u>	<u>\$ 2,551,210</u>	<u>\$ 2,717,600</u>	<u>\$ 8,219,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	276,508	181	(2,551,210)	400,239	(1,874,282)
Other Financing Sources						
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(512,496)</u>	<u>(512,496)</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(512,496)</u>	<u>(512,496)</u>
Net Change in Fund Balances	-	276,508	181	(2,551,210)	(112,257)	(2,386,778)
Fund Balances, Beginning	<u>-</u>	<u>591,041</u>	<u>1,060</u>	<u>6,551,644</u>	<u>1,831,367</u>	<u>8,975,112</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 867,549</u>	<u>\$ 1,241</u>	<u>\$ 4,000,434</u>	<u>\$ 1,719,110</u>	<u>\$ 6,588,334</u>

Lawton Independent School District No. 8
Comanche County, Oklahoma
Combining Statement of Assets and Fund Balances
– Activity Fund
For the Year Ended June 30, 2013

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE June 30, 2013</u>
801	FOOTBALL EXTRAS	\$39,977.88	\$19,849.57	(\$33,468.78)	\$26,358.67
802	BOYS BASKETBALL EXTRAS	\$9,269.49	\$9,699.74	(\$12,284.83)	\$6,684.40
803	GIRLS BASKETBALL EXTRAS	\$8,965.55	\$7,911.00	(\$11,950.35)	\$4,926.20
805	BOYS BASEBALL EXTRAS	\$510.00	\$3,466.01	(\$2,920.48)	\$1,055.53
806	GIRLS SOFTBALL EXTRAS	\$9,346.65	\$8,868.17	(\$9,536.45)	\$8,678.37
807	WRESTLING EXTRAS	\$103.99	\$5,077.53	(\$4,324.69)	\$856.83
811	BOYS TRACK EXTRAS	\$714.92	\$300.00	\$0.00	\$1,014.92
812	GIRLS TRACK EXTRAS	\$593.96	\$0.00	\$0.00	\$593.96
813	BOYS GOLF EXTRAS	\$56.65	\$1,667.50	(\$142.50)	\$1,581.65
814	BOYS CROSS COUNTRY EXTRAS	\$86.18	\$0.00	\$0.00	\$86.18
815	BOYS SOCCER EXTRAS	\$84.35	\$0.00	\$0.00	\$84.35
816	GIRLS VOLLEYBALL EXTRAS	\$2,364.92	\$400.00	(\$1,222.52)	\$1,542.40
819	ALL SPORTS EXTRAS	\$6,632.25	\$5,700.03	(\$10,359.68)	\$1,972.60
820	GIRLS SOCCER EXTRAS	\$452.08	\$764.29	(\$138.99)	\$1,077.38
821	GIRLS GOLF EXTRAS	\$457.83	\$0.00	(\$90.00)	\$367.83
822	GIRLS CROSS COUNTRY EXTRAS	\$35.70	\$0.00	\$0.00	\$35.70
830	DISTRICT ATHLETICS	\$291,222.42	\$6,554.00	(\$24,759.08)	\$273,017.34
831	DISTRICT CONCESSION	\$41,771.34	\$17,900.82	(\$44,076.43)	\$15,595.73
832	ATHLETICS (DISTRICT)	\$9,098.09	\$66,368.46	(\$60,860.27)	\$14,606.28
833	DISTRICT BASEMENT SUPPLY	\$11.90	\$0.00	(\$11.90)	\$0.00
836	DISTRICT SWIMMING	\$1,389.41	\$5,423.48	(\$6,008.00)	\$804.89
837	DRUG TESTING	\$2,415.05	\$1,882.19	(\$1,890.00)	\$2,407.24
840	ATHLETICS (SITES)	\$192,245.74	\$512,666.33	(\$517,402.80)	\$187,509.27
850	GENERAL	\$200,593.40	\$508,697.98	(\$461,869.13)	\$247,422.25
851	ACADEMIC TEAM	\$8,235.11	\$8,986.96	(\$9,973.39)	\$7,248.68
852	AGRICULTURE	\$12,786.31	\$123,992.80	(\$115,869.97)	\$20,909.14
853	AP EXAM	\$19,337.00	\$21,617.06	(\$40,954.06)	\$0.00
854	ART	\$13,330.10	\$33,900.48	(\$27,950.96)	\$19,279.62
855	A.H.S.C. ACTIVITIES	\$125.12	\$0.00	\$0.00	\$125.12
856	ASSISTANCE CLUB	\$8,140.00	\$30,360.00	(\$18,309.99)	\$20,190.01
857	ARTS IN EDUCATION	\$342.87	\$0.00	\$0.00	\$342.87
858	ACE	\$30,931.26	\$211.17	(\$2,975.30)	\$28,167.13
859	ADVANCE PLACEMENT	\$145.00	\$100.00	(\$61.25)	\$183.75
860	BAND	\$16,578.81	\$46,763.29	(\$52,639.57)	\$10,702.53
861	BUILDERS CLUB	\$583.95	\$1,221.85	(\$1,046.48)	\$759.32
862	BUSINESS	\$345.24	\$3,138.71	(\$2,682.16)	\$801.79
863	BOE REIMBURSEMENT	\$11,093.00	\$38,020.88	(\$47,966.17)	\$1,147.71
864	CAMPUS CRIME STOPPER	\$1,649.53	\$0.00	(\$498.00)	\$1,151.53
867	CHEERLEADERS	\$51,043.62	\$95,369.91	(\$129,069.26)	\$17,344.27
868	CHEMISTRY	\$5,023.46	\$0.00	(\$761.77)	\$4,261.69
869	CLOSE-UP	\$97.23	\$0.00	\$0.00	\$97.23
870	CACE/GED	\$151.63	\$0.00	(\$94.75)	\$56.88
875	CONCESSIONS	\$13,036.87	\$18,580.53	(\$13,150.50)	\$18,466.90
881	CULTURAL AWARENESS	\$1,466.38	\$477.78	(\$529.21)	\$1,414.95
883	COUNSELORS	\$15.57	\$0.00	\$0.00	\$15.57
885	DRAMA	\$7,113.58	\$7,803.28	(\$9,414.15)	\$5,502.71
886	LETTERMEN CLUB	\$11,776.20	\$9,146.07	(\$12,662.48)	\$8,259.79
887	COMPUTER CLASS	\$787.26	\$212.00	(\$228.33)	\$770.93
888	AFRICAN AMER. MULT.	\$4,216.94	\$2,523.00	(\$2,309.13)	\$4,430.81
889	FFA	\$4,908.74	\$3,303.00	(\$3,325.00)	\$4,886.74
890	FCA	\$419.53	\$1,582.58	(\$1,365.55)	\$636.56
891	FCCLA	\$1,499.22	\$8,986.73	(\$7,840.59)	\$2,645.36

Lawton Independent School District No. 8
Comanche County, Oklahoma
Combining Statement of Assets and Fund Balances
– Activity Fund
For the Year Ended June 30, 2013

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITIES</u>	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE June 30, 2013</u>
892	FBLA	\$334.22	\$2,028.08	(\$2,334.00)	\$28.30
894	FENCING CLUB	\$373.15	\$0.00	\$0.00	\$373.15
895	FRENCH CLUB	\$719.35	\$3,951.00	(\$3,761.64)	\$908.71
897	GERMAN CLUB	\$608.78	\$712.00	(\$878.93)	\$441.85
898	FFA HORTICULTURE	\$13,766.39	\$8,578.00	(\$5,559.61)	\$16,784.78
900	GAEA	\$2,434.64	\$0.00	(\$592.35)	\$1,842.29
901	GIFTED/TALENTED	\$3,339.40	\$2,175.57	(\$2,895.12)	\$2,619.85
902	DRILL TEAM	\$21,809.28	\$40,826.80	(\$51,084.03)	\$11,552.05
903	MENTORSHIP PROGRAM	\$0.00	\$2,265.00	(\$1,993.57)	\$271.43
904	NEWSPAPER	\$1,048.09	\$2,178.72	(\$2,179.81)	\$1,047.00
905	LIBRARY	\$53,906.38	\$199,174.73	(\$190,208.61)	\$62,872.50
906	KEY CLUB	\$5,032.57	\$16,398.34	(\$16,788.94)	\$4,641.97
907	MATHEMATICS	\$812.66	\$797.98	(\$358.78)	\$1,251.86
908	NHS	\$9,321.48	\$6,942.11	(\$5,848.08)	\$10,415.51
909	NJHS	\$7,968.17	\$18,022.30	(\$19,018.10)	\$6,972.37
910	MISC. EXPENSE	\$47,731.23	\$36,179.76	(\$54,445.07)	\$29,465.92
911	NATIVE AMERICAN CLUB	\$1,511.56	\$5,115.94	(\$3,933.14)	\$2,694.36
912	MILITARY CHILD CLUB	\$5,943.59	\$3,515.89	(\$2,698.49)	\$6,760.99
913	OPEN DOORS	\$293.76	\$0.00	\$0.00	\$293.76
914	ORCHESTRA	\$11,537.40	\$36,054.36	(\$34,147.69)	\$13,444.07
915	PHYSICS	\$1,359.13	\$770.00	(\$1,711.58)	\$417.55
917	ROBOTICS	\$547.35	\$1,939.48	(\$1,631.43)	\$855.40
918	PEP CLUB	\$4,149.92	\$9,831.50	(\$10,336.17)	\$3,645.25
919	PICTURES	\$61,809.34	\$43,174.56	(\$43,577.12)	\$61,406.78
920	JROTC	\$26,307.70	\$33,756.01	(\$29,738.74)	\$30,324.97
921	RENAISSANCE	\$4,566.46	\$4,935.00	(\$5,627.99)	\$3,873.47
922	RESOURCE CENTER	\$5,526.83	\$8,161.58	(\$4,969.66)	\$8,718.75
924	SCIENCE CLUB	\$4,114.84	\$23,478.67	(\$18,794.47)	\$8,799.04
926	LPS STROLLING STRING	\$329.84	\$2,983.35	(\$1,344.29)	\$1,968.90
927	SPANISH CLUB	\$4,253.85	\$6,207.03	(\$7,553.47)	\$2,907.41
928	SPEECH & DEBATE	\$214.87	\$1,122.71	(\$931.43)	\$406.15
929	SPECIAL EDUCATION	\$2,708.07	\$8,744.96	(\$7,836.95)	\$3,616.08
931	STUDENT COUNCIL	\$37,954.95	\$89,668.04	(\$95,570.35)	\$32,052.64
933	STUDENT STORE	\$12,359.31	\$6,723.70	(\$8,452.13)	\$10,630.88
934	SENIORS 2015	\$786.13	\$427.95	\$0.00	\$1,214.08
935	SENIORS 2016	\$0.00	\$2,036.22	(\$517.00)	\$1,519.22
936	SENIORS 2017	\$4,806.75	(\$4,806.75)	\$0.00	\$0.00
937	SENIORS 2013	\$6,994.83	\$24,135.60	(\$18,342.28)	\$12,788.15
938	SENIORS 2014	\$987.54	\$6,571.39	(\$3,813.00)	\$3,745.93
939	AUTISM	\$1,393.19	\$14,221.77	(\$11,971.85)	\$3,643.11
940	SUMMER SCHOOL	\$150.00	\$1,040.00	(\$975.00)	\$215.00
942	DISTRICT TESTING	\$1,967.26	\$5,040.00	(\$7,007.26)	\$0.00
943	TECHNOLOGY	\$6,511.17	\$3,721.00	(\$6,410.19)	\$3,821.98
944	TECHNOLOGY STUDENT ASSOC	\$221.50	\$1,735.73	(\$1,823.90)	\$133.33

Lawton Independent School District No. 8
Comanche County, Oklahoma
Combining Statement of Assets and Fund Balances
– Activity Fund
For the Year Ended June 30, 2013

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE</u>			<u>BALANCE</u>
		<u>JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>June 30, 2013</u>
945	TEXTBOOKS	\$9,658.19	\$7,579.91	(\$17,036.16)	\$201.94
946	VOCAL MUSIC	\$21,597.61	\$106,115.22	(\$110,295.33)	\$17,417.50
950	STUDENT SERVICES	\$259.68	\$0.00	\$0.00	\$259.68
951	YEARBOOK	\$83,479.29	\$152,037.05	(\$151,461.04)	\$84,055.30
952	PARENT INVOLVEMENT	\$153.24	\$0.00	\$19.90	\$173.14
953	ACCELERATED READING	\$1,257.67	\$894.10	(\$2,057.13)	\$94.64
954	WEIGHTROOM LIFTATHON	\$2,904.86	\$12,500.50	(\$13,898.75)	\$1,506.61
955	PLAYGROUND	\$10,578.69	\$0.00	(\$4,496.76)	\$6,081.93
956	NATIONAL ELEM HONOR SOCIETY	\$431.80	\$0.00	(\$350.99)	\$80.81
957	MIDDLE LEAP	\$754.50	\$713.01	(\$1,268.99)	\$198.52
959	CHESS CLUB	\$1,457.05	\$0.00	(\$356.00)	\$1,101.05
960	COMMISSION	\$104,316.87	\$91,571.82	(\$83,018.42)	\$112,870.27
961	FRIENDS IN NEED	\$4,458.76	\$0.00	(\$643.87)	\$3,814.89
962	LPS CHRISTMAS CHEER	\$2,271.96	\$2,193.51	(\$2,067.77)	\$2,397.70
963	SCRAPBOOKING	\$1,021.68	\$0.00	\$0.00	\$1,021.68
967	GEOGRAPHY CLUB	\$1,481.62	\$236.29	\$0.00	\$1,717.91
970	EXTENDED DAY	\$17,994.53	\$50,072.76	(\$46,571.02)	\$21,496.27
971	EXTENDED DAY BOARD	\$0.00	\$273,245.14	(\$273,245.14)	\$0.00
972	ASIA CLUB	\$156.08	\$0.00	\$0.00	\$156.08
973	TEEN COUNCIL	\$172.18	\$0.00	\$0.00	\$172.18
975	HOLDING ACCOUNT	\$12,156.13	\$10,696.16	(\$14,092.88)	\$8,759.41
976	OKLAHOMA DECATHLON	\$10,271.18	(\$1,275.00)	(\$3,091.82)	\$5,904.36
977	SPEECH PATHALOGY	\$1,376.28	\$0.00	(\$482.34)	\$893.94
978	MEDIA CLUB	\$1,843.02	\$1,326.90	(\$1,527.78)	\$1,642.14
980	OSVC	\$11,169.80	\$5,200.00	(\$16,369.80)	\$0.00
983	YOUTH IN GOVERNMENT	\$81.50	\$6,566.00	(\$5,451.00)	\$1,196.50
984	DESIGNATED CONTRIBUTIONS	\$93,182.48	\$46,335.92	(\$62,510.63)	\$77,007.77
985	STAGE PRODUCTION	\$567.03	\$367.84	(\$654.55)	\$280.32
986	FACULTY IN-SERVICE	\$3.01	\$0.00	\$0.00	\$3.01
987	TITLE I SUMMER KINDERGARTEN A	\$151.55	\$125.00	\$0.00	\$276.55
988	VISION IMPAIRED	\$926.45	\$0.00	\$0.00	\$926.45
989	AP ECONOMICS	\$2,165.72	\$360.00	(\$35.91)	\$2,489.81
990	SPECIAL OLYMPICS	\$5,230.14	\$15,830.34	(\$12,978.28)	\$8,082.20
991	MEDIA PRODUCTIONS	\$1,009.46	\$3,817.68	(\$3,126.58)	\$1,700.56
993	LEADERSHIP	\$0.00	\$2,412.79	(\$1,797.57)	\$615.22
994	LPS FOUNDATION GRANTS	\$0.00	\$19,700.69	(\$19,043.37)	\$657.32
995	FACULTY FUND	\$1,531.14	\$1,873.95	(\$2,193.15)	\$1,211.94
996	PARENT UNIVERSITY	\$682.90	\$0.00	(\$133.68)	\$549.22
998	LAWTON COMMUNITY SERVICES	\$891.36	\$0.00	(\$863.95)	\$27.41
999	LPS LANDSCAPING	\$1,630.39	\$6,000.00	(\$5,028.23)	\$2,602.16
		<u>\$1,831,368.01</u>	<u>\$3,136,528.84</u>	<u>(\$3,248,786.11)</u>	<u>\$1,719,110.74</u>

Lawton Independent School District No. 8
Comanche County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2012	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2013
<i>U.S. Dept. of Education</i>						
Direct Program						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (73,319)	\$ 301,739	\$ 282,541	\$ (54,121)
Teaching American History	84.215X	777	\$ (168,041)	\$ 218,642	\$ 50,601	\$ -
Impact Aid	84.041	591/592	\$ -	\$ 6,723,367	\$ 6,723,367	\$ -
Passed Through Oklahoma Department of Career and Technology Education						
Vocational Education - Basic Grant to States	84.048	421	\$ (36,405)	\$ 100,499	\$ 114,868	\$ (50,774)
Vocational Education - Basic Grant to States - Supplement	84.048	424	-	50,000	50,000	-
			<u>\$ (36,405)</u>	<u>\$ 150,499</u>	<u>\$ 164,868</u>	<u>\$ (50,774)</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Educational Agencies	84.010	511/512/515	\$ (955,433)	\$ 4,582,176	\$ 4,099,621	\$ (472,878)
Title I, Grants to Local Educational Agencies	84.010	786	(51,971)	51,971	209,414	(209,414)
Title I - Federal Academic Achievement Awards	84.010	517	30,885	-	30,885	-
Title I Cluster			<u>\$ (976,519)</u>	<u>\$ 4,634,147</u>	<u>\$ 4,339,920</u>	<u>\$ (682,292)</u>
		613/615/621				
Special Education - Grants to States	84.027	/625	\$ (867,138)	\$ 3,432,088	\$ 3,236,430	\$ (671,480)
Special Education - Preschool Grants	84.173	641/642	(21,442)	78,745	72,871	(15,568)
Special Education Cluster			<u>\$ (888,580)</u>	<u>\$ 3,510,833</u>	<u>\$ 3,309,301</u>	<u>\$ (687,048)</u>
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	541	\$ (205,532)	\$ 1,010,424	\$ 920,002	\$ (115,110)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	786	-	-	\$ 25,009	(25,009)
Title II - Technical Assistance Allocation	84.367	543	(8,609)	26,486	20,794	(2,917)
			<u>\$ (214,141)</u>	<u>\$ 1,036,910</u>	<u>\$ 965,805</u>	<u>\$ (143,036)</u>

Lawton Independent School District No. 8
Comanche County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2012	Federal Grant Receipts	Federal Grant Accrual Basis Expenditures	Balance 6/30/2013
<i>U.S. Dept. of Education - continued</i>						
<i>Passed Through State Department of Education:</i>						
Title II, Part D - Enhancing Education Through Technology	84.318	548				-
Title II - Part B Math and Science	84.366	542/544	(212,950)	291,020	250,456	(172,386)
Title III, Part A - Limited English Proficiency	84.365	571, 572	(50,339)	157,789	178,847	(71,397)
Title IV - 21st Century Community Learning Centers	84.287	553	(104,177)	226,765	187,141	(64,553)
Adult Education and Literacy	84.002	731	(62,499)	171,414	129,558	(20,643)
Gear Up-Ap Grants	84.334	779	16,075	-	16,075	-
			<u>\$ (413,890)</u>	<u>\$ 846,988</u>	<u>\$ 762,077</u>	<u>\$ (328,979)</u>
 <i>Passed Through State Department of Career and Vocational Education:</i>						
Job Training Department of Rehabilitation Services	84.126	456	3,351	132,807	129,063	7,095
Total U.S. Department of Education			<u>\$ (2,767,544)</u>	<u>\$ 17,555,932</u>	<u>\$ 16,727,543</u>	<u>\$ (1,939,155)</u>
 <i>U.S. Department of Agriculture</i>						
<i>Passed Through Oklahoma State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 3,633,344	\$ 3,633,344	\$ -
School Breakfast Program	10.553	764	-	1,637,261	1,637,261	-
Summer Food Service Program	10.559	766	59,442	91,872	119,104	32,210
Fresh Fruit/Vegetable	10.579	768	(126,370)	224,675	98,305	-
Lunch Program - Commodities	10.555		11,776	137,874	132,390	17,260
Commodities Distributed - Breakfast	10.553		26,957	62,129	77,173	11,913
Summer Food Service Program -Commodities	10.559		1,191	3,486	4,168	509
Child Nutrition Cluster			<u>\$ (27,004)</u>	<u>\$ 5,790,641</u>	<u>\$ 5,701,745</u>	<u>\$ 61,892</u>
Total U.S. Department of Agriculture			<u>\$ (27,004)</u>	<u>\$ 5,790,641</u>	<u>\$ 5,701,745</u>	<u>\$ 61,892</u>
 <i>U.S. Department of Health and Human Services</i>						
<i>Passed Through Oklahoma Health Care Authority</i>						
Medical Assistance Program	93.778	698	\$ -	\$ 187,977	\$ 187,977	\$ -
Total U.S. Dept. of Transportation			<u>\$ -</u>	<u>\$ 187,977</u>	<u>\$ 187,977</u>	<u>\$ -</u>

Lawton Independent School District No. 8
 Comanche County, Oklahoma
 Supplemental Schedule
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2012	Federal Grant Receipts	Federal Grant Accrual Basis Expenditures	Balance 6/30/2013
<i>U.S. Department of Transportation</i>						
<i>Passed Through Oklahoma Department of Transportation</i>						
ODOT Safe Routes to School	20.205	141	\$ (90,632)	\$ 90,632	\$ -	\$ -
Total U.S. Dept. of Transportation			<u>\$ (90,632)</u>	<u>\$ 90,632</u>	<u>\$ -</u>	<u>\$ -</u>
<i>U.S. Department of Defense</i>						
<i>Direct Program</i>						
Community Economic Adjustment	12.600	772	\$ -	\$ 279,395	\$ 279,395	\$ -
DOD Science Grant	12.030	776	\$ (232,054)	\$ 376,116	\$ 144,062	\$ -
Total U.S. Dept. of Defense			<u>\$ (232,054)</u>	<u>\$ 376,116</u>	<u>\$ 144,062</u>	<u>\$ -</u>

Lawton Independent School District No. 8
Comanche County, Oklahoma
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Basis of Presentation: The schedule of expenditures of federal awards includes the federal grant activity of Ardmore School District I-19, Carter County, Oklahoma. The schedule of expenditures of federal awards is prepared using the statutory basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

OTHER INFORMATION

Lawton Independent School District No. 8
Comanche County, Oklahoma
Budgetary Comparison Schedule –Building Fund (Unaudited)
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 1,988,537	\$ 2,157,517	\$ 2,156,633	\$ (884)
Federal Revenue	-	37,134,368	279,395	(36,854,973)
Total Revenue	<u>\$ 1,988,537</u>	<u>\$ 39,291,885</u>	<u>\$ 2,436,028</u>	<u>\$ (36,855,857)</u>
EXPENDITURES				
Current				
Instruction	\$ 1,272,048	\$ 1,441,026	\$ 17,161	\$ 1,423,865
Support Services	1,306,444	1,306,444	1,574,199	(267,755)
Capital Outlay	1,088	37,135,458	568,160	36,567,298
Total Expenditures	<u>\$ 2,579,580</u>	<u>\$ 39,882,928</u>	<u>\$ 2,159,520</u>	<u>\$ 37,723,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(591,043)	(591,043)	276,508	867,551
Fund Balance - Beginning	<u>591,043</u>	<u>591,043</u>	<u>591,041</u>	<u>(2)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,549</u>	<u>\$ 867,549</u>

Lawton Independent School District No. 8
 Comanche County, Oklahoma
 Statement of Statutory Fidelity and Honesty Bonds (unaudited)
 For the Year Ended June 30, 2013

<u>Company</u>	<u>Type</u>	<u>Number</u>	<u>Amount</u>	<u>Effective Date</u>
CNA Surety	Superintendent	0601-7078035	\$100,000	07/1/12-6/30/13
Safeco	Treasurer	E740110-000	\$100,000	07/1/12-6/30/13
Safeco	Assistant Treasurer	E740110-000	\$100,000	07/1/12-6/30/13
Safeco	Custodian of Activity Fund	E740110-000	\$100,000	07/1/12-6/30/13
Safeco	Assistant Activity Fund Custodian, Clerk Deputy Clerk, Minutes Clerk, Encumbrance Clerk	E740110-000	\$1,000 each	07/1/12-6/30/13

Lawton Independent School District No. 8
 Comanche County, Oklahoma
 Reconciling Schedule for OCAS Data (unaudited)
 For the Year Ended June 30, 2013

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds with Oklahoma State Department of Education OCAS Reports and Estimate of Needs

Sinking Fund	<u>Revenues</u>	<u>Expenditures</u>
Total Revenue	\$ 7,685,752	\$ 7,975,812
Audit adjustments recorded	16,765	4,247
Per OCAS District Check Report	<u>\$ 7,702,517</u>	<u>\$ 7,980,059</u>

	Federal Sources of Revenue	Cash Forward/ Beginning Fund Balance
General Fund	\$ 22,681,978	\$ 1,493,458
Audit adjustments recorded	(161,677)	161,677
Per OCAS School District Revenue Report	<u>\$ 22,520,301</u>	<u>\$ 1,655,135</u>

Sinking Fund	\$ 7,287,929
Audit adjustments recorded	(16,765)
Per OCAS School District Revenue Report	<u>\$ 7,271,164</u>

Sinking Fund	\$ 7,287,929
Accrual Reserves	(6,008,169)
Adjustments recorded	(1,197,577)
Per Estimate of Needs	<u>\$ 82,183</u>

Note that the Estimate of Needs for the Sinking fund does not include the Lease Revenue Bond Payable activity which is included for GAAP purposes.



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

To the Board of Education
Lawton Independent School District No. 8, Comanche County, Oklahoma
Lawton, Oklahoma

We have audited, in accordance with the 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of , Lawton Independent School District No. 8, Comanche County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise , Comanche County, Oklahoma's basic financial statements, and have issued our report thereon dated December 3, 2013

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify

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any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Independent School District No. 8, Comanche County, Oklahoma's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
December 3, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVERCOMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

To the Board of Education
Lawton Independent School District No. 8, Comanche County, Oklahoma
Ardmore, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs for the year ended June 30, 2013. Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Lawton Independent School District No. 8, Comanche County, Oklahoma'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance.

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Opinion on Each Major Federal Program

In our opinion, Lawton Independent School District No. 8, Comanche County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Lawton Independent School District No. 8, Comanche County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Lawton Independent School District No. 8, Comanche County, Oklahoma'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
December 3, 2013

Lawton Independent School District No. 8
Comanche County, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I Summary of Auditor's Results

Financial Statements:

Type of audit report:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant Deficiency(ies) identified ?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statement	_____ Yes	_____ <u>X</u> No

Federal Awards:

Internal control over major program:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant Deficiency(ies) identified ?	_____ Yes	_____ <u>X</u> None Reported

Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> No

Identification of Major Programs:		
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.041	Impact Aid	
10.553, 10.555, 10.559	Child Nutrition Cluster	

Dollar threshold used to distinguish between Type A and Type B programs:	\$	690,914
Auditee qualified as a low-risk auditee?	_____ Yes	_____ <u>X</u> No

Lawton Independent School District No. 8
Comanche County, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Lawton Independent School District No. 8
Comanche County, Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

None