

**Financial Statements and Reports of
Independent Certified Public Accountant
Quapaw School District No. I-14
Ottawa County, Oklahoma
June 30, 2012**

**TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
Vinita, OK 74301
(918) 256-6788**

**Quapaw School District No. I-14
Ottawa County, Oklahoma
School District Officials
June 30, 2012**

Board of Education

President	Dawn Kelley
Vice-President	Tink Smith
Clerk	John Stasell
Member	William Nichols
Member	Paula Suman

Superintendent of Schools

Dennis Earp

School District Treasurer

Philip Geren

Minute Clerk

Debbie Garrett

Encumbrance Clerk

Ella Welch

Activity Funds Custodian

Debbie Garrett

Quapaw School District No. I-14
Ottawa County, Oklahoma
Table of Contents

Independent Auditor’s Report	1-2
 <i>Reports Required by Government Auditing Standards:</i>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	5-6
 Combined Financial Statements	
Combined Statement of Assets, Liabilities and Equity (Regulatory Basis) – All Fund Types	7
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance (Regulatory Basis) – All Governmental Fund Types	8
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance, Budget and Actual (Regulatory Basis) – General and Special Revenue Funds	9
Notes to Financial Statements	10-23
 Other Supplementary Information	
Combining Statement of Assets, Liabilities and Fund Balances (Regulatory Basis) – All Special Revenue Funds	24
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance (Regulatory Basis) – All Special Revenue Funds	25
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance, Budget and Actual (Regulatory Basis), Budget and Actual – All Special Revenue Funds	26
Combining Statement of Changes in Assets, Liabilities and Fund Balance (Regulatory Basis) – Agency Fund – Fiduciary Funds	27-28
 Supporting Schedules	
Schedule of Expenditure of Federal Awards	29-30
Schedule of Accountant’s Professional Liability Insurance Affidavit	31
Schedule of Findings and Questioned Costs	32-33
Summary Schedule of Prior Audit Findings	34



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Quapaw School District No. I-14
Quapaw, Ottawa County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of Quapaw School District No. I-14, Ottawa County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Quapaw School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quapaw School District No. I-14, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

The financial statements referred to above do not include the general fixed assets account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

However, in our opinion, except for the effects of the omission of the general fixed assets account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of Quapaw School District No. I-14, as of June 30, 2012, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The accompanying 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 not a required part of the combined financial statements. The combining statements of changes in assets and liabilities of the fiduciary funds-regulatory basis and other schedules listed as supplemental information in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. The combining statement of changes in assets and liabilities of the fiduciary funds-regulatory basis and other schedules listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of Quapaw School District No. I-14's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

TURNER & Associates, PLLC

Vinita, Oklahoma
November 19, 2012



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

The Honorable Board of Education
Quapaw School District No. I-14
Quapaw, Ottawa County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Quapaw School District No. I-14, Ottawa County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Department of Education. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Quapaw School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Quapaw School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Quapaw School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in internal control over financial reporting.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Quapaw School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

We noted certain matters that we reported to management of Quapaw School District, in a separate letter dated November 19, 2012.

The Quapaw School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Quapaw School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, Oklahoma State Auditor and Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TURNER & ASSOCIATES, PLLC

Vinita, Oklahoma
November 19, 2012



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

The Honorable Board of Education
Quapaw School District No. I-14
Quapaw, Ottawa County, Oklahoma

Compliance

We have audited Quapaw School District No. I-14, Ottawa 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 Quapaw School District No. I-14, Ottawa County, Oklahoma's major federal programs for the year ended June 30, 2012. Quapaw School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Quapaw School District No. I-14, Ottawa County, Oklahoma's compliance based on our audit.

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

In our opinion, Quapaw School District No. I-14, Ottawa County, Oklahoma, complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Quapaw School District No. I-14, Ottawa County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Quapaw School District No. I-14, Ottawa County, Oklahoma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine

our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Quapaw School District No. I-14, Ottawa 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.

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 necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quapaw School District No. I-14, Ottawa County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012, which contained qualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Education, management, Oklahoma State Auditor and Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TURNER & Associates, PLLC

Vinita, Oklahoma
November 19, 2012

COMBINED FINANCIAL STATEMENTS

Quapaw School District No. I-14
Combined Statement of Assets, Liabilities and Equity (Regulatory Basis)
All Fund Types
June 30, 2012

<u>ASSETS</u>	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Types</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>General</u> <u>Fund</u>	<u>Special Revenue</u> <u>Fund</u>	<u>Trust</u> <u>and Agency</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Cash and cash equivalents	\$ 716,353.37	\$ 1,208,402.02	\$ 39,123.52	\$ 1,963,878.91	\$ 2,446,110.62
Investments	614,395.52	-	-	614,395.52	610,002.16
Total assets	<u>\$ 1,330,748.89</u>	<u>\$ 1,208,402.02</u>	<u>\$ 39,123.52</u>	<u>\$ 2,578,274.43</u>	<u>\$ 3,056,112.78</u>
 <u>LIABILITIES AND</u> <u>FUND EQUITY</u>					
Liabilities:					
Warrants Payable	\$ 523,222.20	\$ 27,455.09	\$ -	\$ 550,677.29	\$ 802,185.94
Reserves for encumbrances	19,307.30	991.79	-	20,299.09	-
Due to student groups	-	-	39,123.52	39,123.52	38,424.91
Total liabilities	<u>542,529.50</u>	<u>28,446.88</u>	<u>39,123.52</u>	<u>610,099.90</u>	<u>840,610.85</u>
Fund Equity:					
Restricted for:					
Building	-	1,048,644.79	-	1,048,644.79	987,304.49
Child Nutrition	-	131,310.35	-	131,310.35	110,643.63
Unassigned	788,219.29	-	-	788,219.29	1,117,553.81
Total Fund Balances	<u>788,219.29</u>	<u>1,179,955.14</u>	<u>-</u>	<u>1,968,174.43</u>	<u>2,215,501.93</u>
Total liabilities and fund balance	<u>\$ 1,330,748.79</u>	<u>\$ 1,208,402.02</u>	<u>\$ 39,123.52</u>	<u>\$ 2,578,274.33</u>	<u>\$ 3,056,112.78</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combined Statement of Revenues Collected, Expenditures Paid
and Changes in Fund Balance (Regulatory Basis)
All Governmental Fund Types
For the Year Ended June 30, 2012

	General	Special Revenue	Totals (Memorandum Only)	
			6/30/2012	6/30/2011
Revenues Collected:				
Local Sources	\$ 520,086.04	\$ 394,530.47	\$ 914,616.51	\$ 1,155,987.74
Intermediate Sources	70,736.77	-	70,736.77	74,809.25
State Sources	3,048,929.09	37,129.94	3,086,059.03	3,152,167.59
Federal Sources	1,030,102.31	258,216.62	1,288,318.93	1,355,907.58
Total revenues collected	<u>4,669,854.21</u>	<u>689,877.03</u>	<u>5,359,731.24</u>	<u>5,738,872.16</u>
Expenditures:				
Instruction	2,842,263.42	-	2,842,263.42	2,872,762.98
Support Services	2,053,371.74	53,620.55	2,106,992.29	2,228,419.22
Non-Instruction Services	108,855.08	318,855.88	427,710.96	336,609.29
Facilities, acquisition, and construction services	-	235,002.03	235,002.03	530,584.56
Other Outlays	85.39	394.98	480.37	4,934.58
Total Expenditures	<u>5,004,575.63</u>	<u>607,873.44</u>	<u>5,612,449.07</u>	<u>5,973,310.63</u>
Excess of revenues collected over expenditures	<u>(334,721.42)</u>	<u>82,003.59</u>	<u>(252,717.83)</u>	<u>(234,438.47)</u>
Other financing sources:				
Lapsed Appropriations	<u>5,387.00</u>	<u>3.43</u>	<u>5,390.43</u>	<u>4,941.59</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(329,334.42)</u>	<u>82,007.02</u>	<u>(247,327.40)</u>	<u>(229,496.88)</u>
Cash Fund Balance				
Beginning of Year	<u>1,117,553.71</u>	<u>1,097,948.12</u>	<u>2,215,501.83</u>	<u>2,444,998.81</u>
Cash Fund Balance				
End of Year	<u>\$ 788,219.29</u>	<u>\$ 1,179,955.14</u>	<u>\$ 1,968,174.43</u>	<u>\$ 2,215,501.93</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balance, Budget and Actual (Regulatory Basis)
General and Special Revenue Funds
For the Year Ended June 30, 2012

	General Fund			Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues Collected:						
Local Sources	\$ 537,091.48	\$ 537,091.48	\$ 525,473.04	\$ 117,478.81	\$ 117,478.81	\$ 394,533.90
Intermediate Sources	67,328.32	67,328.32	70,736.77	-	-	-
State Sources	3,031,978.85	3,031,978.85	3,048,929.09	24,512.75	24,512.75	37,129.94
Federal Sources	471,302.57	471,302.57	1,030,102.31	215,750.87	215,750.87	258,216.62
Non-revenue receipts	-	-	-	-	-	-
Total revenues collected, budgetary basis	<u>4,107,701.22</u>	<u>4,107,701.22</u>	<u>4,675,241.21</u>	<u>357,742.43</u>	<u>357,742.43</u>	<u>689,880.46</u>
Expenditures Paid:						
Instruction	5,225,254.93	5,225,254.93	2,842,263.42	-	-	-
Support Services	-	-	2,053,371.74	1,059,769.75	1,059,769.75	53,620.55
Non-Instruction Services	-	-	108,855.08	395,920.80	395,920.80	318,855.88
Facilities, acquisition and construction	-	-	-	-	-	235,002.03
Other Outlays	-	-	85.39	-	-	394.98
Total expenditures paid, budgetary basis	<u>5,225,254.93</u>	<u>5,225,254.93</u>	<u>5,004,575.63</u>	<u>1,455,690.55</u>	<u>1,455,690.55</u>	<u>607,873.44</u>
Excess (Deficit) of Revenues Collected Over (Under)						
Expenditures Paid	(1,117,553.71)	(1,117,553.71)	(329,334.42)	(1,097,948.12)	(1,097,948.12)	82,007.02
Cash Fund Balance Beginning of the Year	<u>1,117,553.71</u>	<u>1,117,553.71</u>	<u>1,117,553.71</u>	<u>1,097,948.12</u>	<u>1,097,948.12</u>	<u>1,097,948.12</u>
Cash Fund Balance End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788,219.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,955.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies

The accompanying financial statements of the Quapaw School District, No. I-14, Ottawa County, Oklahoma (the “District”) conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. There are no component units (entities considered to be financially accountable to the District).

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)

The District's basic financial statements consist of fund financial statements (reporting the District's major funds). The fund financial statements categorize primary activities as either governmental or fiduciary.

The District has the following fund types:

Governmental Fund Types - are used to account for most of the District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

Governmental fund types include the following funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs.

Special Revenue Funds - The special revenue funds account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund, Child Nutrition Fund, and Insurance Recovery Fund. These are budgeted funds and any fund balances are considered as resources available for use.

Building Fund - The Building Fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund - The Child Nutrition Fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation – Fund Accounting (continued)

Fiduciary Fund Types - are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Fiduciary fund types include the following funds:

Agency Fund - The Agency Fund is custodial in nature and does not present results of operations. Agency Funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fund raising efforts of the students and District-sponsored groups. This is not a budgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

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

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

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

Memorandum Only – Total Column

The total column on the financial statements is captioned “Memo Only” to indicate that it is present only to facilitate financial analysis. Data in this column does not present assets and liabilities, revenues collected and expenditures paid in conformity with the statutory basis of accounting. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

The District's financial instruments include cash and investments. The District's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

5. Inventories

The value of consumable inventories at June 30, 2012, is not material to the financial statements. Acquisitions are considered expenditures at the time of purchase and are not recorded for financial statement purposes.

6. Fixed Assets and Property, Plant and Equipment

Land, buildings, non-structural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition and are then recorded as investments in fixed assets for financial statement purposes. The District does not have the information necessary to include the general fixed asset account group in its combined financial statements.

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

8. Property Taxes and Other Local 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures

9. Intermediate Revenues

Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

10. State Revenues

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund. Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

11. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of federal revenues received by the District are apportioned to the general fund. The district maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

12. Net Assets/Fund Balances

In the district-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The District's Board of Education is the highest level of decision making authority of the District.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

13. Resource Use Policy

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the District considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

14. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's assets, liabilities, fund balances, revenues and expenses. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read. Certain previously reported amounts have been reclassified to conform to current year classifications.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The District is required by state law to prepare an annual budget. An annual Estimate of Needs is approved by the Board in September, filed with the County Clerk and approved by the County Excise Board. Supplemental appropriations are made during the year. The District's budget is prepared on a basis of accounting prescribed by the Oklahoma Department of Education which conforms to the system of accounting authorized by the State of Oklahoma. This regulatory basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the District. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

III. Detailed Notes Concerning the Funds

A. Custodial Credit Risk

Custodial Credit Risk – Deposits. 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 cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. At June 30, 2012, none of the District's deposits at the Bank of Commerce and 1st Bank Oklahoma were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information

A. 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; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the

District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the District's losses for the last five years. OSAG provides coverage in excess of the loss fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$16,236.42.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information (continued)

D. Employee Retirement System and Plan (continued)

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is cost-sharing, multiple-employer defined benefit public employee retirement system (PERS) administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee may make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. The District and State are required to contribute 11.5% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 7.05% during this year. The combined state and local rate will stabilize at 14.05%. The District is allowed by the System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information (continued)

D. Employee Retirement System and Plan (continued)

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were \$315,850.87, \$300,680.11, and \$305,387.00, respectively.

Schedule of Funding Progress (dollars in millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
6/30/2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
6/30/2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
6/30/2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
6/30/2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
6/30/2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
6/30/2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
6/30/2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
6/30/2008	9,256.8	18,346.9	9,090.1	50.5%	3,741.4	242.3%
6/30/2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
6/30/2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
6/30/2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	201.4%

Note: Dollar amounts in millions

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information (continued)

E. 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.

F. Section 125 Flexible Benefit Plan

The District has adopted a Section 125 Flexible Benefit Plan whereby all employees that complete one month of service and complete at least 20 hours of service per week are eligible to participate. Certified employees working full time will receive 100% of the cost of coverage. Support personnel working 6 or more hours per day at least 172 days per year will receive 100% of the cost of employee health insurance. If the employee opts out they will receive a pro-rated amount as taxable compensation. Available benefits include: group term life insurance, medical insurance, disability insurance cancer insurance, and dental/vision insurance.

G. Surety Bonds

The Superintendent is bonded by The Smith Agency, bond number 01695458, for the sum of \$100,000 for the term February 4, 2012 to February 4, 2013.

The Treasurer is bonded by The Smith Agency, bond number 01695458, for the sum of \$50,000 for the term February 4, 2012 to February 4, 2013.

The Encumbrance Clerk is bonded by The Smith Agency, bond number 01695458, for the sum of \$100,000 for the term February 4, 2012 to February 4, 2013.

The Minutes Clerk/Cafeteria and Activity Fund Custodian is bonded by The Smith Agency, bond number 18194778, for the sum of \$1,000 each for the term November 10, 2011 to November 10, 2012.

H. Subsequent Events

Management has evaluated subsequent events through November 19, 2012 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

Quapaw School District No. I-14
Combining Statement of Assets, Liabilities and Equity (Regulatory Basis)
All Special Revenue Funds
June 30, 2012

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Totals (Memo Only)</u>
Cash and cash equivalents	\$ 1,055,289.80	\$ 153,112.22	\$ 1,208,402.02
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Payable	\$ 6,645.01	\$ 20,810.08	\$ 27,455.09
Reserve for Encumbrances	-	991.79	991.79
Total liabilities	<u>6,645.01</u>	<u>21,801.87</u>	<u>28,446.88</u>
Fund Equity:			
Fund Balance, Unassigned	-	-	-
Fund Balance, Restricted	<u>1,048,644.79</u>	<u>131,310.35</u>	<u>1,179,955.14</u>
Total Fund Balance	<u>1,048,644.79</u>	<u>131,310.35</u>	<u>1,179,955.14</u>
Total liabilities and fund balances	<u>\$ 1,055,289.80</u>	<u>\$ 153,112.22</u>	<u>\$ 1,208,402.02</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combining Statement of Revenues Collected, Expenditures Paid
and Changes in Fund Balance (Regulatory Basis)
All Special Revenue Funds
June 30, 2012

	Building Fund	Child Nutrition Fund	Totals (Memo Only)
Revenues Collected:			
Local Sources	\$ 339,172.24	\$ 55,358.23	\$ 394,530.47
State Sources	8,090.64	29,039.30	37,129.94
Federal Sources	2,700.00	255,516.62	258,216.62
Total revenues collected	<u>349,962.88</u>	<u>339,914.15</u>	<u>689,877.03</u>
Expenditures:			
Support Services	53,620.55	-	53,620.55
Non-Instruction Services	-	318,855.88	318,855.88
Facilities, acquisition, and construction services	235,002.03	-	235,002.03
Other Outlays	-	394.98	394.98
Total Expenditures	<u>288,622.58</u>	<u>319,250.86</u>	<u>607,873.44</u>
Excess of revenues collected over expenditures	<u>61,340.30</u>	<u>20,663.29</u>	<u>82,003.59</u>
Other financing sources:			
Cancelled warrants	-	3.43	3.43
Excess of revenues and other financing sources over expenditures and other financing uses	61,340.30	20,666.72	82,007.02
Cash Fund Balance Beginning of Year	<u>987,304.49</u>	<u>110,643.63</u>	<u>1,097,948.12</u>
Cash Fund Balance End of Year	<u>\$ 1,048,644.79</u>	<u>\$ 131,310.35</u>	<u>\$ 1,179,955.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance (Regulatory Basis)
Budget and Actual – All Special Revenue Funds
For the Year Ended June 30, 2012

	Special Revenue Funds								
	Building Fund			Child Nutrition Fund			Total Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues Collected:									
Local Sources	\$ 72,465.26	\$ 72,465.26	\$ 339,172.24	\$ 45,013.55	\$ 45,013.55	\$ 55,361.66	\$ 117,478.81	\$ 117,478.81	\$ 394,533.90
State Sources	-	-	8,090.64	24,512.75	24,512.75	29,039.30	24,512.75	24,512.75	37,129.94
Federal Sources	-	-	2,700.00	215,750.87	215,750.87	255,516.62	215,750.87	215,750.87	258,216.62
Total revenues collected, budgetary basis	<u>72,465.26</u>	<u>72,465.26</u>	<u>349,962.88</u>	<u>285,277.17</u>	<u>285,277.17</u>	<u>339,917.58</u>	<u>357,742.43</u>	<u>357,742.43</u>	<u>689,880.46</u>
Expenditures Paid:									
Support Services	1,059,769.75	1,059,769.75	53,620.55	-	-	-	1,059,769.75	1,059,769.75	53,620.55
Non-Instruction Services	-	-	-	395,920.80	395,920.80	318,855.88	395,920.80	395,920.80	318,855.88
Facilities, acquisition and construction	-	-	235,002.03	-	-	-	-	-	235,002.03
Other Outlays	-	-	-	-	-	394.98	-	-	394.98
Total expenditures paid, budgetary basis	<u>1,059,769.75</u>	<u>1,059,769.75</u>	<u>288,622.58</u>	<u>395,920.80</u>	<u>395,920.80</u>	<u>319,250.86</u>	<u>1,455,690.55</u>	<u>1,455,690.55</u>	<u>607,873.44</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(987,304.49)	(987,304.49)	61,340.30	(110,643.63)	(110,643.63)	20,666.72	(1,097,948.12)	(1,097,948.12)	82,007.02
Cash Fund Balance Beginning of the Year	\$ 987,304.49	\$ 987,304.49	\$ 987,304.49	\$ 110,643.63	\$ 110,643.63	\$ 110,643.63	\$ 1,097,948.12	\$ 1,097,948.12	\$ 1,097,948.12
Cash Fund Balance End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,644.79</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,310.35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,955.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combining Statement of Assets, Liabilities and Fund Balance
(Regulatory Basis)
Fiduciary Funds
June 30, 2012

ASSETS

Cash and Cash Equivalents	\$ 39,123.52
---------------------------	--------------

LIABILITIES

Due to Students	\$ 39,123.52
-----------------	--------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Combining Statement of Changes in Assets and Liabilities (Regulatory Basis)
Agency Funds -Activity Funds
For the Year Ended June 30, 2012

ACTIVITIES	Balance July 1, 2011	Receipts	Disbursements	Balance June 30, 2012
Athletics	\$ 2,678.75	\$ 80,796.34	\$ 75,999.97	\$ 7,475.12
DFA (Drug Free Assoc)	28.60	-	-	28.60
Yearbook	2,727.75	5,201.55	7,621.54	307.76
Central/Middle/High School	158.65	3,157.43	3,161.94	154.14
Class of 2013	2,903.13	4,886.00	3,472.54	4,316.59
Class of 2010	1,236.72	3,880.50	4,084.24	1,032.98
Class of 2011	1.06	4,859.75	3,071.76	1,789.05
FFA	1,067.63	25,121.46	25,605.58	583.51
National Honor Society	59.22	-	4.26	54.96
Varsity cheerleaders	761.56	6,193.25	4,315.63	2,639.18
Speech	174.10	143.00	56.75	260.35
Elementary	5,511.12	6,286.15	6,860.04	4,937.23
Band	506.59	1,485.54	1,189.06	803.07
Embroidery	31.07	1,001.97	1,004.26	28.78
Class of 2012	2,082.78	2,416.37	4,436.00	63.15
Woodshop	1,488.40	1,221.04	1,690.84	1,018.60
Library	356.48	5,255.49	5,347.48	264.49
Social Studies Club	466.48	-	4.26	462.22
FCA	225.60	772.00	944.91	52.69
MS Student Council	322.69	107.25	426.43	3.51
After Prom	1,002.97	6,022.00	7,023.76	1.21
Spirit Store	1,409.59	5,145.52	5,377.59	1,177.52
Interest	2,296.44	245.37	-	2,541.81
Student Council	1,462.30	5,178.61	4,501.35	2,139.56
Central Office	1,399.14	2,861.77	3,320.05	940.86
Spanish Club	126.88	-	-	126.88
Business Club	3,553.72	8,035.48	9,332.83	2,256.37
Art Club	3,366.50	3,255.25	3,643.20	2,978.55
EAT	131.46	-	131.46	-
Math Club	11.25	382.00	259.70	133.55
Family & Consumer Science	7.07	-	-	7.07
HS Basketball Booster	869.21	5,694.02	6,020.07	543.16
Science Club	-	235.00	234.00	1.00
Total activities	<u>\$ 38,424.91</u>	<u>\$ 189,840.11</u>	<u>\$ 189,141.50</u>	<u>\$ 39,123.52</u>
ASSETS				
Activity Fund Cash	<u>\$ 38,424.91</u>	<u>\$ 189,840.11</u>	<u>\$ 189,141.50</u>	<u>\$ 39,123.52</u>
LIABILITIES				
Due to Students	<u>\$ 38,424.91</u>	<u>\$ 189,840.11</u>	<u>\$ 189,141.50</u>	<u>\$ 39,123.52</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Quapaw School District No. I-14
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2011</u>	<u>Receipts</u>	<u>Federal Expenditures</u>	<u>Receivables / (Payables) Balance at June 30, 2012</u>
U.S. Department of Education							
<i>Direct Programs:</i>							
Impact Aid	84.041	591 / 592	\$ 344,633.02	\$ -	\$ 335,601.60	\$ 232,427.52	\$ (103,174.08)
Title VII, Part A - Indian Education	84.060	561	66,326.00	16,945.00	66,326.00	49,381.00	-
<i>Passed Through State Department of Education:</i>							
Title I, Part A - Improving Basic Programs	84.010	511	166,618.24	179,879.56	179,879.56	166,618.24	166,618.24
ARRA, Education Jobs Fund	84.410	790	-	120,646.00	120,646.00	-	-
IDEA-B	84.027	621	142,459.00	151,666.84	231,012.04	135,636.91	56,291.71
IDEA-B, ARRA	84.391	622	-	5,436.18	5,436.18	-	-
IDEA-B Preschool	84.173	641	3,831.93	3,866.64	7,247.93	3,381.29	-
IDEA-B, Preschool ARRA	84.392	643	-	142.68	142.68	-	-
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367	541	-	569.42	569.42	-	-
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	551	35,395.94	1,425.65	1,425.65	-	-
Title VI, Subpart 2, Rural and Low-Income School Program	84.358B	587	46,015.06	44,350.37	44,350.37	46,012.78	46,012.78
<i>Passed Through Oklahoma Department of Vocational Education:</i>							
Rehabilitative Services	84.126	456	-	-	3,487.26	3,487.26	-
Total U.S. Department of Education			<u>\$ 805,279.19</u>	<u>\$ 524,928.34</u>	<u>\$ 996,124.69</u>	<u>\$ 636,945.00</u>	<u>\$ 165,748.65</u>

Continued on next page

Quapaw School District No. I-14
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2012
(continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2011</u>	<u>Receipts</u>	<u>Federal Expenditures</u>	<u>Receivables / (Payables) Balance at June 30, 2012</u>
U.S. Department of Agriculture							
<i>Passed Through State Department of Education:</i>							
National School Breakfast Program	10.553	764	\$ N/A	\$ -	\$ 75,431.79	\$ 50,527.79	\$ (24,904.00)
National School Lunch Program	10.555	763	N/A	-	174,941.51	130,972.01	(43,969.50)
Summer Food Service Program	10.559	766	N/A	5,143.32	5,143.32	-	-
<i>Passed Through Department of Health & Human Services</i>							
Commodities - Note B	10.550	385	N/A	-	16,236.42	16,236.42	-
<i>Passed Through Oklahoma Health Care Authority</i>							
Medicaid Resources	93.778		-	-	17,637.62	-	(17,637.62)
Total U.S. Department of Agriculture			-	5,143.32	289,390.66	197,736.22	(86,511.12)
<u>Other Federal Assistance</u>							
Johnson O'Malley Program	15.130	563	16,052.00	-	16,052.00	12,036.26	(4,015.74)
TOTAL FEDERAL ASSISTANCE			\$ 821,331.19	\$ 530,071.66	\$ 1,301,567.35	\$ 846,717.48	\$ 75,221.79

Note A - This schedule was prepared on the accrual basis of accounting. The information in this schedule is presented in Accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Food Distribution: Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**Quapaw School District No. I-14
Schedule of Accountant's Professional Liability Insurance Affidavit
For the Year Ended June 30, 2012**

State of Oklahoma)
)ss
County of Craig)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Quapaw Public Schools for the audit year 2011-2012.

Turner & Associates, PLC

Auditing Firm

by _____
Authorized Agent

Subscribed and sworn to before me this 19th day of November, 2012.

Notary Public (or Clerk or Judge)

**Quapaw School District No. I-14
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.
2. No deficiencies relating to the audit of the basic financial statements are reported in the 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*
3. One instance of noncompliance material to the financial statements of Quapaw School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Quapaw School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.559	Summer School Service Program
10.041	Impact Aid Cluster
84.010	Title I, Part A
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA, Special Education - Grants to States
84.392	ARRA, Special Education - Preschool Grants

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Quapaw School District does not qualify as a low-risk auditee.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENT AUDIT

2012-1 Preparation of the Schedule of Expenditures of Federal Awards

Criteria:

The District, per the OMB Circular A-133, Subpart C, section 300(b) is responsible for maintaining internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Subpart C, section 310(b)(3) goes on to describe the auditees responsibility for the Schedule of Expenditures of Federal Awards (SEFA) as “provide total Federal awards expended for each individual Federal program”.

Condition:

The Schedule of Expenditures of Federal Awards was completed by District personnel but did not include the amount expended for Commodities of \$16,236.42; Rehabilitation Services of \$3,487.26 and incorrectly coded \$68,873.50 of USDA Breakfast and Lunch expenditures to the General Fund without corresponding revenue.

Cause:

The District prepared the Schedule of Expenditures of Federal Awards that was included in the auditor prepared draft financial statement, however they did not compare the recorded revenues and claim forms for Federal programs and failed to identify the amounts listed above.

Effect:

The Schedule of Expenditures of Federal Awards was materially incorrect and the District relied on the auditor to find the errors.

Recommendation:

The Federal Programs Coordinator should be responsible for reviewing the revenue coded and claim forms submitted in order to accurately prepare the Schedule of Expenditures of Federal Awards.

Client Response:

This was an oversight by the District and the Federal Programs Coordinator will be responsible for reviewing the revenue coded claim forms submitted in order to accurately prepare the Schedule of Expenditures of Federal Awards.

**Quapaw School District No. I-14
Ottawa County, Oklahoma
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012**

PRIOR AUDIT FINDINGS

None.