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**FINANCIAL STATEMENTS - REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**NOWATA SCHOOL DISTRICT NO. I-40,  
NOWATA COUNTY, OKLAHOMA**

**JUNE 30, 2013**

**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-40  
NOWATA COUNTY, OKLAHOMA  
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-40  
NOWATA COUNTY, OKLAHOMA  
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-40  
NOWATA COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013**

BOARD OF EDUCATION

President	Rick Holland
Vice-President	Linda Patton
Clerk	Clint Hallett
Member	Tom Kester
Member	Tami Kalbrier

SUPERINTENDENT OF SCHOOLS

Kathy Berry

MINUTES CLERK &  
SCHOOL DISTRICT TREASURER

Dee Armstrong



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Nowata School District No. I-040  
Nowata, Oklahoma 74048-3331

I have audited the accompanying regulatory basis financial statements of Nowata School District No. I-040, Nowata, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2013. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

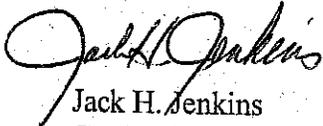
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Nowata School District No. I-040, Nowata, Oklahoma as of June 30, 2013, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Nowata School District No. I-040, Nowata, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 6, 2014, on my consideration of the District's internal control over financial reporting and my 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 my 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 my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Nowata School District No. I-040's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins  
Certified Public Accountant, P.C.

March 6, 2014

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2013**

ASSETS	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS			2013	(Memorandum Only) 2012
Cash	\$ 795,087	533,819	176,473	89,615	136,157		1,731,151	1,461,063
Investments	400,000		195,413	604,588	79,213		1,279,214	1,529,206
Amounts available in debt service						21,017	21,017	57,340
Amounts to be provided for retirement of general long-term debt								
Total Assets	<u>1,195,087</u>	<u>533,819</u>	<u>371,886</u>	<u>694,203</u>	<u>215,370</u>	<u>10,425,081</u>	<u>10,425,081</u>	<u>1,474,770</u>
						<u>10,446,098</u>	<u>13,456,463</u>	<u>4,522,379</u>

**LIABILITIES AND FUND EQUITY**

Liabilities								
Warrants payable	236,303	12,210		3,220	11,711		263,444	108,903
Encumbrances	48,438	59,079			11,865		119,382	67,790
Funds held for school organizations					150,432		150,432	156,253
Unmatured obligations			350,869				350,869	51,083
Long-term debt:								
Bonds payable						1,715,000	1,715,000	1,530,000
Capital leases						8,731,098	8,731,098	2,110
Total liabilities	<u>284,741</u>	<u>71,289</u>	<u>350,869</u>	<u>3,220</u>	<u>174,008</u>	<u>10,446,098</u>	<u>11,330,225</u>	<u>1,916,139</u>
Fund Equity								
Cash fund balances	910,346	462,530	21,017	690,983	33,389		2,118,265	2,598,267
Reserved/restricted cash fund balances					7,973		7,973	7,973
Total fund equity	<u>910,346</u>	<u>462,530</u>	<u>21,017</u>	<u>690,983</u>	<u>41,362</u>		<u>2,126,238</u>	<u>2,606,240</u>
Total Liabilities and Fund Equity	<u>\$ 1,195,087</u>	<u>533,819</u>	<u>371,886</u>	<u>694,203</u>	<u>215,370</u>	<u>10,446,098</u>	<u>13,456,463</u>	<u>4,522,379</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE		EXPENDABLE TRUST AND AGENCY FUND	(Memorandum Only) 2013
<b>Revenues</b>						
Local sources	\$ 1,092,534	161,695	632,958	89,006	1,976,193	1,826,392
Intermediate sources	131,655				131,655	125,076
State sources	4,471,054	6,579	4		4,477,637	4,750,536
Federal sources	590,784	293,587			884,371	1,159,895
Non-revenue receipts	113,433	50,917			164,350	72,030
Total revenues	<u>6,399,460</u>	<u>512,778</u>	<u>632,962</u>	<u>89,006</u>	<u>7,545,200</u>	<u>7,933,929</u>
<b>Expenditures</b>						
Instruction	4,268,157	18		37,894	4,317,924	4,437,570
Support services	2,405,913	82,845		70,322	3,044,612	2,399,812
Operation of non-instructional services	72,532	390,430		1,051	464,013	385,876
Facilities, acquisition and const. services		47,910			58,567	478,973
Other outlays	111,340				111,340	97
Debt service			669,285		669,285	312,717
Other uses				3,547	3,547	3,434
Repayments	1,467	233			1,700	1,490
Total expenditures	<u>6,859,409</u>	<u>521,436</u>	<u>669,285</u>	<u>112,814</u>	<u>8,670,988</u>	<u>8,019,969</u>
Revenues over (under) expenditures	(459,949)	(6,658)	(36,323)	(23,808)	(1,036,782)	(86,040)
<b>Other financing sources (uses)</b>						
Lapsed appropriations	5,797	25,900			31,697	3,122
Estopped warrants	40			43	83	194
Bond proceeds				525,000	525,000	1,100,000
Total other financing sources (uses)	<u>5,837</u>	<u>25,900</u>	<u>-</u>	<u>43</u>	<u>556,780</u>	<u>1,103,316</u>
Revenue and other sources over (under) expenditures and other uses	(454,112)	17,242	(36,323)	(23,765)	(480,002)	1,017,276
Cash fund balance, beginning of year	1,364,458	445,288	57,340	65,127	2,606,240	1,588,964
Cash fund balance, end of year	<u>\$ 910,346</u>	<u>462,530</u>	<u>21,017</u>	<u>41,362</u>	<u>2,126,238</u>	<u>2,606,240</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2013**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 917,379	917,379	1,092,534
Intermediate sources	125,076	125,076	131,655
State sources	4,462,864	4,462,864	4,471,054
Federal sources	655,233	655,233	590,784
Non-revenue receipts			113,433
Total revenues	<u>6,160,552</u>	<u>6,160,552</u>	<u>6,399,460</u>
<b>Expenditures</b>			
Instruction	7,488,256	7,488,256	4,268,157
Support services	36,754	36,754	2,405,913
Operation of non-instructional services			72,532
Other outlays			111,340
Repayments			1,467
Total expenditures	<u>7,525,010</u>	<u>7,525,010</u>	<u>6,859,409</u>
Revenues over (under) expenditures	(1,364,458)	(1,364,458)	(459,949)
<b>Other financing sources (uses)</b>			
Lapsed appropriations			5,797
Estopped warrants			40
Total other financing sources (uses)			<u>5,837</u>
Revenue and other sources over (under) expenditures and other uses	(1,364,458)	(1,364,458)	(454,112)
Cash fund balance, beginning of year	<u>1,364,458</u>	<u>1,364,458</u>	<u>1,364,458</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>910,346</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2013**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 196,254	196,254	161,695
State sources	6,284	6,284	6,579
Federal sources	309,825	309,825	293,587
Non-revenue receipts			50,917
Total revenues	<u>512,363</u>	<u>512,363</u>	<u>512,778</u>
Expenditures			
Instruction			18
Support services	381,546	381,546	82,845
Operation of non-instructional services	576,105	576,105	390,430
Facilities acquisitions and construction			47,910
Repayments			233
Total expenditures	<u>957,651</u>	<u>957,651</u>	<u>521,436</u>
Revenues over (under) expenditures	(445,288)	(445,288)	(8,658)
Other financing sources (uses)			
Lapsed appropriations			<u>25,900</u>
Revenue and other sources over (under) expenditures and other uses	(445,288)	(445,288)	17,242
Cash fund balance, beginning of year	<u>445,288</u>	<u>445,288</u>	<u>445,288</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>462,530</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2013**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 611,945	611,945	632,958
State sources			4
Total revenues	<u>611,945</u>	<u>611,945</u>	<u>632,962</u>
Expenditures			
Other outlays			
Debt service	669,285	669,285	669,285
Total expenditures	<u>669,285</u>	<u>669,285</u>	<u>669,285</u>
Revenues over (under) expenditures	(57,340)	(57,340)	(36,323)
Cash fund balance, beginning of year	<u>57,340</u>	<u>57,340</u>	<u>57,340</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>21,017</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS -  
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Nowata Public Schools Independent District No. I-40 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

*A. Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting*

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

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

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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 the 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting - contd.*

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2012-13 fiscal year.

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 various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District. The gifts fund includes the McCracken, Neef, Anonymous Benefactor, A.E. Richardson Foundation and Harmon accounts.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Nonexpendable Trust Fund - Nonexpendable trust funds account for restricted resources where the District is under an obligation to maintain the trust principal. The nonexpendable trust fund for the District includes the Kathleen Delmas Scholarship Fund.

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

**Account Group**

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

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

B. *Fund Accounting* - contd.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

**Memorandum Only - Total Column**

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*C. Basis of Accounting and Presentation – contd.*

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which 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.

*D. Budgets and Budgetary Accounting*

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

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

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

*E. Assets, Liabilities and Fund Equity*

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*E. Assets, Liabilities and Fund Equity – contd.*

trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2013 is not material to the combined financial statements-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

*E. Assets, Liabilities and Fund Equity-* contd.

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

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. 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 are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owned. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

*F. Revenue and Expenditures-* contd.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

The aforementioned state revenues are apportioned to the District's general fund.

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.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the 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.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating or residual equity transfers made during the 2012-13 fiscal year.

2. **Deposits and Investments**

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$3,010,365 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

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.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013**

**2. Deposits and Investments – cont'd**

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
<b>Investments</b>			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>1,279,214</u>	<u>1,279,214</u>
<b>Total investments</b>		<u><u>\$1,279,214</u></u>	<u><u>\$1,279,214</u></u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$1,279,214).

**3. General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be 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 of the date of issue.

General long-term debt of the District consists of bonds payable and two (2) capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund. Capital leases include Qualified School Construction Bonds that have part of their interest subsidized by the Federal Government.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating or residual equity transfers made during the 2012-13 fiscal year.

2. **Deposits and Investments**

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$3,010,365 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

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.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. Deposits and Investments – cont'd**

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
<b>Investments</b>			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>1,279,214</u>	<u>1,279,214</u>
<b>Total investments</b>		<u><u>\$ 1,279,214</u></u>	<u><u>\$ 1,279,214</u></u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$1,279,214).

**3. General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be 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 of the date of issue.

General long-term debt of the District consists of bonds payable and two (2) capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund. Capital leases include Qualified School Construction Bonds that have part of their interest subsidized by the Federal Government.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**3. General Long-term Debt – contd.**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2012	\$ 1,530,000	2,110	1,532,110
Additions	525,000	8,730,000	9,255,000
Retirements	340,000	1,012	341,012
Balance, June 30, 2013	<u>\$ 1,715,000</u>	<u>8,731,098</u>	<u>10,446,098</u>

A brief description of the outstanding long-term debt at June 30, 2013 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2009, original issue \$300,000, interest rate of various 3.0-4.0%, due in an initial installments of \$30,000 beginning 6-01-11, annual installments of \$90,000 thereafter, final payment due 6-01-14;	90,000
Building Bonds, Series 2012, original issue \$1,100,000, interest rate of 1.00%, due in an initial installment of \$350,000 beginning 1-01-14, annual installments of \$375,000 thereafter, final payment due 1-01-16;	1,100,000
Comb. Purpose Bonds, Series 2012, original issue \$525,000, interest rate of 0.75-1.125%, due in an initial installment of \$195,000 on 7-1-14, final payment of \$330,000 on 7-1-15;	525,000
<u>Capital Leases</u>	
Lease agreement for a baritone saxophone, dated 5-11-11, totaling \$3,042, interest rate of 8.56%, due in annual principal and interest installments of \$1,192 beginning 7-14-11, with the final payment due 7-14-13;	1,098

**INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**3. General Long-term Debt – contd.**

	<u>Amount outstanding</u>
Qualified School Construction Bonds, dated 5-16-12, totaling \$8,730,000, due in variable semi-annual principal and interest installments beginning 9-1-12, with the final payment due 9-1-25;	<u>8,730,000</u>
Totals	<u>\$ 10,446,098</u>

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 440,000	18,594	458,594
2015	570,000	12,169	582,169
2016	705,000	6,225	711,225
Totals	<u>\$ 1,715,000</u>	<u>36,988</u>	<u>1,751,988</u>

There was \$29,500 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for capital lease principal, and interest are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,098	357,985	359,083
2015	290,000	356,044	646,044
2016	680,000	347,042	1,027,042
2017	705,000	324,449	1,029,449
2018	720,000	293,241	1,013,241
Thereafter	6,335,000	1,141,318	7,476,318
Totals	<u>\$ 8,731,098</u>	<u>2,820,079</u>	<u>11,551,177</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**4. Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma 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 Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, 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 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. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**4. Employee Retirement System – contd.**

Annual Pension Cost

The District's portion of the total contributions for 2013, 2012 and 2011 were \$453,606, \$410,338, and \$385,899 respectively.

**5. 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.

**6. 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; and natural disasters. The District continues to carry commercial insurance for 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.

**7. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, 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 – REGULATORY  
BASIS - COMBINING FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2013**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2013</u>	<u>2012</u>
Cash	\$ 313,680	220,139	533,819	217,921
Investments			-	280,000
Total assets	<u>313,680</u>	<u>220,139</u>	<u>533,819</u>	<u>497,921</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	8,509	3,701	12,210	4,633
Encumbrances	13,700	45,379	59,079	48,000
Total liabilities	<u>22,209</u>	<u>49,080</u>	<u>71,289</u>	<u>52,633</u>
Fund Equity				
Cash fund balances	291,471	171,059	462,530	445,288
Total Liabilities and Fund Equity	<u>\$ 313,680</u>	<u>220,139</u>	<u>533,819</u>	<u>497,921</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2013	2012
<b>Revenues</b>				
Local sources	\$ 145,164	16,531	161,695	168,311
State sources	1	6,578	6,579	6,284
Federal sources		293,587	293,587	309,825
Non-revenue receipts		50,917	50,917	65,887
Total revenues	<u>145,165</u>	<u>367,613</u>	<u>512,778</u>	<u>550,307</u>
<b>Expenditures</b>				
Instruction	18		18	
Support services	82,845		82,845	14,384
Operation of non-instructional services		390,430	390,430	343,948
Facilities, acquisition and const. services	47,910		47,910	53,000
Other outlays			-	47
Repayments		233	233	153
Total expenditures	<u>130,773</u>	<u>390,663</u>	<u>521,436</u>	<u>411,532</u>
Revenues over (under) expenditures	14,392	(23,050)	(8,658)	138,775
<b>Other financing sources (uses)</b>				
Lapsed appropriations	25,900		25,900	
Estopped warrants			-	21
Total other financing sources (uses)	<u>25,900</u>	-	<u>25,900</u>	<u>21</u>
Revenue and other sources over (under) expenditures and other uses	40,292	(23,050)	17,242	138,796
Cash fund balance, beginning of year	<u>251,179</u>	<u>194,109</u>	<u>445,288</u>	<u>306,492</u>
Cash fund balance, end of year	<u>\$ 291,471</u>	<u>171,059</u>	<u>462,530</u>	<u>445,288</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	BUILDING FUND		CHILD NUTRITION FUND	
	ORIGINAL BUDGET	FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
Revenues				
Local sources	\$ 130,367	130,367	65,887	65,887
State sources		145,164	6,284	6,284
Federal sources		1	309,825	309,825
Non-revenue receipts				50,917
Total revenues	<u>130,367</u>	<u>130,367</u>	<u>381,996</u>	<u>381,996</u>
Expenditures				
Instruction		18		
Support services	381,546	381,546	576,105	576,105
Operation of non-instructional services		82,845		390,430
Facilities acquisitions and construction		47,910		
Repayments				233
Total expenditures	<u>381,546</u>	<u>381,546</u>	<u>576,105</u>	<u>390,663</u>
Revenues over (under) expenditures	(251,179)	(251,179)	(194,109)	(194,109)
Other financing sources (uses)				
Lapsed appropriations		25,900		
Revenue and other sources over (under) expenditures and other uses	(251,179)	(251,179)	(194,109)	(194,109)
Cash fund balance, beginning of year	251,179	251,179	194,109	194,109
Cash fund balance, end of year	\$ -	-	-	-
		<u>291,471</u>		<u>171,059</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013**

	2012 TECHNOLOGY BOND FUND	2012 BUILDING BOND FUND	TOTALS (Memorandum Only)	
			2013	2012
<u>ASSETS</u>				
Cash	\$ 49,233	40,382	89,615	-
Investment		604,588	604,588	674,027
Total assets	<u>49,233</u>	<u>644,970</u>	<u>694,203</u>	<u>674,027</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	<u>3,220</u>		<u>3,220</u>	-
Total liabilities	<u>3,220</u>	-	<u>3,220</u>	-
Fund equity				
Cash fund balances	<u>46,013</u>	<u>644,970</u>	<u>690,983</u>	<u>674,027</u>
Total Liabilities and Fund Equity	<u>\$ 49,233</u>	<u>644,970</u>	<u>694,203</u>	<u>674,027</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013**

	2012 TECHNOLOGY BOND FUND	2012 TRANS BOND FUND	2012 BUILDING BOND FUND	TOTALS (Memorandum Only) 2013	2012
Revenues					
Local sources					-
Expenditures					
Instruction	\$ 11,855			11,855	
Support services	292,132	175,000	18,400	485,532	
Facilities, acquisition & const. services			10,657	10,657	425,973
Total expenditures	303,987	175,000	29,057	508,044	425,973
Revenues over (under) expenditures	(303,987)	(175,000)	(29,057)	(508,044)	(425,973)
Other financing sources (uses)					
Lapsed appropriations					-
Bond sales proceeds	350,000	175,000		525,000	1,100,000
Total other financing sources (uses)	350,000	175,000	-	525,000	1,100,000
Revenue and other sources over (under) expenditures and other uses	46,013	-	(29,057)	16,956	674,027
Cash fund balance, beginning of year	-	-	674,027	674,027	-
Cash fund balance, end of year	\$ 46,013	-	644,970	690,983	674,027

INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2013

	AGENCY FUNDS	EXPENDABLE TRUST		NONEXPENDABLE TRUST		TOTALS	
		ACTIVITY FUNDS	GIFTS FUND	GIFTS FUND	(Memorandum Only)	2013	2012
Cash	\$ 128,300		6,965		892	136,157	192,216
Investments	22,132		50,000		7,081	79,213	29,207
Total assets	150,432		56,965		7,973	215,370	221,423

ASSETS

LIABILITIES AND FUND EQUITY

Liabilities							
Warrants payable		11,711				11,711	43
Encumbrances		11,865				11,865	156,253
Funds held for school organizations	150,432					150,432	156,296
Total liabilities	150,432	23,576			-	174,008	
Fund Equity							
Cash fund balances		33,389				33,389	57,154
Restricted cash fund balances				7,973		7,973	7,973
Total fund equity	-	33,389		7,973		41,362	65,127
Total Liabilities and Fund Equity	\$ 150,432	56,965		7,973		215,370	221,423

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Athletics	\$ 12,411	100,521	20,000	116,057	16,875
Interest Income	591	178		-	769
Petty Cash	-	273		273	-
Snack Bar	3,535	38,120	(454)	36,092	5,109
Athletic Resale	1,514	26,262		21,001	6,775
Swimming Pool	44,778	25,497	(20,000)	29,892	20,383
Grade School	33,283	34,507		34,754	33,036
Band	173	4,053		4,102	124
HS Choir	45	1,523		1,549	19
MS Library	73	-		-	73
MS Miscellaneous Cash	1,170	1,737		2,113	794
MS Pep Club	3,612	1,620		893	4,339
MS Yearbook	1,973	1,196		530	2,639
MS Student Council	2,095	926		1,555	1,466
Gifted	53	1,854	206	1,746	367
HS Yearbook	5,912	7,117	500	5,148	8,381
HS Art Club	1,419	933		1,202	1,150
F.F.A.	25,871	55,628	(168)	49,232	32,099
MS New York City/D.C. Trip	206	-	(206)	-	-
FCCLA	1,140	3,636	96	4,407	465
HS Miscellaneous Cash	3,971	7,194		8,946	2,219
HS Cheerleading	2,150	16,048	122	15,949	2,371
HS Student Council	2,370	8,425	(96)	6,982	3,717
Journalism Club	488	1,076		1,444	120
Junior Class	1,799	10,494	(479)	8,941	2,873
HS Library Club	61	-		-	61
Senior Class	821	195	479	293	1,202
Spanish Club	1,510	-		-	1,510
Speech Club	38	-		-	38
Special Olympics	2,674	3,095		4,552	1,217
National Honor Society	-	510		488	22
Sophomore Class	100	-		-	100
Freshman Class	100	-		-	100
General Activity Account	313	337		635	15
Broadcasting	4	-		-	4
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<u>156,253</u>	<u>352,955</u>	<u>-</u>	<u>358,776</u>	<u>150,432</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<u>\$ 156,253</u>	<u>352,955</u>	<u>-</u>	<u>358,776</u>	<u>150,432</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060	S060A120691	\$ 116,848	-	116,848	116,848	-
Subtotal			116,848		116,848	116,848	
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		252,481	(152)	218,479	240,811	(22,332)
Title I-Part A, Improving Basic Programs 2011-12 - Note 1	84.010				152		
* Title I, School Improvement	84.010		21,402		7,172	7,172	
Title I, School Improvement 2011-12 - Note 1	84.010			(10,914)	10,914		
Title II-Part A, Teacher & Principal Training	84.367		49,290		49,290	49,290	
Idea-B, Systems of Care	84.027		5,000		4,950	4,950	
Special Education, Flowthrough, P.L. 105-17	84.027		196,513		162,017	174,366	(12,349)
Special Education, Flowthrough 2011-12 - Note 1	84.027			(4,941)	4,941		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		3,429		3,429	3,429	
Title VI-Small, Rural School Ach. Program	84.358		23,273			23,085	(23,085)
Subtotal			\$ 551,388	(16,007)	461,344	503,103	(57,766)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				17,336	17,336	
Non-Cash Assistance Subtotal					17,336	17,336	
Cash Assistance:							
National School Lunch Program	10.555				212,068	212,068	
School Breakfast Program	10.553				81,519	81,519	
Cash Assistance Subtotal					293,587	293,587	
Total For Program (Cluster)					310,923	310,923	

**INDEPENDENT SCHOOL DISTRICT NO. 1-40, NOWATA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
<u>Other Federal Assistance:</u>						
Johnson O'Malley	15.130	\$ 15,400			12,862	(12,862)
Johnson O'Malley 2011-12 - Note 1	15.130		(10,986)	10,986		
OJT	84.126	1,481		1,481	1,481	
FEMA - 2011	97.036		(125)	125		
Subtotal		<u>16,881</u>	<u>(11,111)</u>	<u>12,592</u>	<u>14,343</u>	<u>(12,862)</u>
Total Federal Assistance		<u>\$ 685,117</u>	<u>(27,118)</u>	<u>901,707</u>	<u>945,217</u>	<u>(70,628)</u>

\* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$17,336 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-40, NOWATA COUNTY  
 SCHEDULE OF SURETY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual Insurance	Superintendent	601029855	\$100,000	6/9/13-6/9/14
	Treasurer/Minutes Clerk	5056133	\$100,000	7/1/12-7/1/13
	Encumbrance Clerk	5056072	\$10,000	7/1/12-7/1/13
	Activity Fund Clerk	5056072	\$10,000	7/1/12-7/1/13
	Child Nutrition Director	5084981	\$10,000	8/1/12-8/1/13



**Jack H. Jenkins, CPA** *A Professional Corporation*

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

The Honorable Board of Education  
Nowata School District No. I-040  
Nowata, Oklahoma 74048-3331

I have audited the regulatory basis financial statements of Nowata School District No. I-040, Nowata, Oklahoma, as of and for the year ended June 30, 2013, and have issued my report thereon, dated March 6, 2014. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and qualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

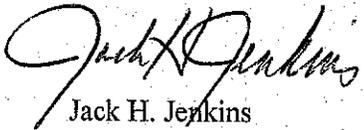
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted a certain matter that I have reported to the District's management in a separate letter dated March 6, 2014.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

March 6, 2014



**Jack H. Jenkins, CPA** *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Nowata School District No. I-040  
Nowata, Oklahoma 74048-3331

**Compliance**

I have audited the compliance of Nowata School District No. I-040, Nowata, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. The 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. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Nowata School District No. I-040, Nowata, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of Nowata School District No. I-040, Nowata, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws,

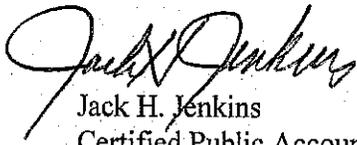
regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be, and should not be, used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

March 6, 2014

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 1, 2012 TO JUNE 30, 2013**

**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 State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I programs and Child Nutrition programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2012 TO JUNE 30, 2013**

There were no material prior year findings.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2012 TO JUNE 30, 2013**

**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 State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I programs and Child Nutrition programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2012 TO JUNE 30, 2013**

There were no material prior year findings.

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2012 TO JUNE 30, 2013**

State of Oklahoma    )  
County of Tulsa      )

The undersigned auditing firm representative 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 Nowata School District for the audit year 2012-13.

Jack H. Jenkins, CPA, P.C.  
AUDITING FIRM

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
7<sup>th</sup> day of, March, 2014

*Michael Kemper*  
NOTARY PUBLIC

 **MICHAEL KEMPER**  
Notary Public  
State of Oklahoma  
Commission# 09009187 Expires 11/05/17

**INDEPENDENT SCHOOL DISTRICT NO. I-40, NOWATA COUNTY**  
**AUDIT ACKNOWLEDGEMENT**  
**JULY 1, 2012 TO JUNE 30, 2013**

The annual independent audit for Nowata School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

\_\_\_\_\_  
Superintendent of Schools

\_\_\_\_\_  
Date of Board Meeting

\_\_\_\_\_  
Board of Education President

\_\_\_\_\_  
Board of Education Clerk

\_\_\_\_\_  
Board of Education Vice President

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

Subscribed and sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

\_\_\_\_\_  
Notary Public

Affix Notary Seal



**Jack H. Jenkins, CPA** *A Professional Corporation*

March 6, 2014

Nowata Public Schools  
Attn: Ms. Kathy Berry  
707 West Osage Avenue  
Nowata, OK 74048-3331

Dear Ms. Berry:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains an audit exception and recommendation relayed to management that is a certain matter which was not included, but was referred to, in the audit report. This comment also requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

Federal Program Expenditures

I observed that the District had coding discrepancies in the following programs between what was submitted to OCAS and what was shown on the SEFA:

	Project	OCAS	SEFA	Ind. Cost	Diff.
OJT	456	\$ 2,048.50	1,481.04		(567.46) *1
Title I	511	233,284.23	240,810.82	8,534.62	(1,008.03) *1
Title I, School Improvement	515	20,373.55	7,172.22		(13,201.33) *1
Title II-A	541	48,279.27	49,289.92	1,238.16	(227.51) *1
Indian Education	561	117,909.04	116,848.00		(1,061.04) *1
JOM	563	12,897.94	12,861.88		(36.06) *1
Title VI, part 2	587	22,533.33	23,084.83	656.65	(105.15) *1
Flowthrough	621	169,271.23	174,365.90	5,827.83	(733.16) *1
Preschool	641	3,370.16	3,428.92	73.99	(15.23) *1
Federal Lunch	763	209,850.70	212,067.96		2,217.26 *2
Child & Adult Care	769	7,000.00	-		(7,000.00) *3

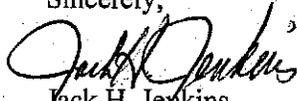
\*1-Excess coded, not reimbursed by program.

\*2-Expended, but not coded to program.

\*3-Miscoding, did not participate in program.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jack H. Jenkins".

Jack H. Jenkins  
Certified Public Accountant, P.C.

March 25, 2014

To Whom It May Concern:

We have a continuing problem with our software and the way it spreads the Workers Comp and Unemployment. This year, I did not spread these amounts until the last day of June, but my federal program claims had already been submitted. This is the cause of overage in many of these federal programs.

With Vocational Rehabilitation, there software must not have been figuring the pay per hours like ours did. I think we finally have this resolved.

PROJECT 456

\$109.48 of this amount is Workers Comp. Oklahoma Voc-Rehab does not pay Workers Comp so that was an unreimbursed expenditure.

Voc-Rehab did not reimburse the school for the first two claims we sent - in the amount of \$449.14.

In December we paid \$270.06  
They reimbursed 270.06

In January we paid \$175.81  
They paid 174.58 (\$-1.23)

In February and March we paid \$454.94  
They paid \$454.94

In April we paid \$201.19  
They paid \$198.65 (\$-2.54)

In May we paid 297.25  
They paid \$294.21 (\$-3.04)

In June we paid \$90.63  
They paid \$88.60 (\$-2.03)

On these checks they did not pay a total of \$-8.84.

Total Showing for OCAS Expenditures	\$2,048.50
Minus Workers Comp	-\$109.48
We were not reimbursed 2 months	-\$449.14
And for the difference in payments	<u>-\$8.84</u>
	\$1,481.04 - SEFA

PROJECT 511

The overage is OPSUCA - Unemployment - \$215.02  
And OSAG - Workers Comp - \$793.01  
This is the exact amount of the difference of \$1,008.03

PROJECT 515

Checks were written for summer school salaries June 28, 2013. I was unable to claim the money in this fiscal year. The superintendent decided not to use the money for the salaries. This should have been reclassified before it went to OCAS BOLD CODE.

PROJECT 541

\$48.53 is OPSUCA - Unemployment  
\$178.98 is Worker's Comp  
Difference of \$227.51  
These amounts were not claimed.

PROJECT 561

OPSUCA - \$89.84  
OSAG - 311.03  
Difference of \$400.87  
Also, we had a reserve in the amount of \$20,399.70. We wrote a warrant in the amount of \$19,794.74. This left an open encumbrance of \$604.96. The difference of OPSUCA & OSAG \$400.87 plus the open encumbrance of \$604.96 = \$1,005.83. The difference was a coding error.

PROJECT 563

OPSUCA - \$2.40  
OSAG - \$33.66  
Difference of \$36.06

**PROJECT 587**

OSAG \$82.72  
OPSUCA \$22.43  
Difference of \$105.05

**PROJECT 621**

OPSUCA - \$156.40  
OSAG - \$576.76  
Difference of \$733.16

**PROJECT 641**

OPSUCA - \$3.25  
OSAG - \$11.98  
Difference of \$15.23

**PROJECT 763**

This was a coding issue.

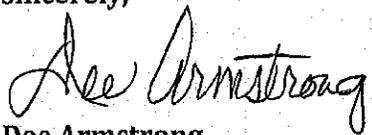
**PROJECT 769**

Coding error - PROJECT 769 SHOULD HAVE BEEN CODED TO 763

All claims were legal expenditures. No claims were made for more than the amount of the allocation.

Please let us know if there are any questions.

Sincerely,



Dee Armstrong  
Business Manager/Treasurer