

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

**PORTER CONSOLIDATED SCHOOL DISTRICT NO. I-365,
WAGONER COUNTY, OKLAHOMA**

JUNE 30, 2012

Audited by

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

**INDEPENDENT SCHOOL DISTRICT NO. I-365
WAGONER COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-365
WAGONER COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-365
WAGONER COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

BOARD OF EDUCATION

President	Gary Walker
Vice-President	Joel Leavell
Clerk	Terry Brackett
Member	Brenda Livesay
Member	Brian Jones

SUPERINTENDENT OF SCHOOLS

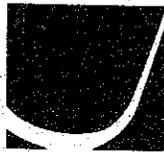
Mark Fenton

MINUTES CLERK

Lorri Tedder

SCHOOL DISTRICT TREASURER

Sherry Staner



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Porter Consolidated School District No. I-365
Porter, Oklahoma 74454-0120

I have audited the accompanying regulatory basis financial statements of Porter Consolidated School District No. I-365, Porter, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2012. 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.

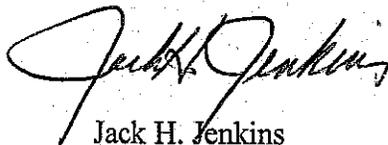
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of 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 Porter Consolidated School District No. I-365, Porter, Oklahoma as of June 30, 2012, 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 Porter Consolidated School District No. I-365, Porter, Oklahoma, as of June 30, 2012, 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 4, 2013, 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 Porter Consolidated School District No. I-365'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 4, 2013

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

**INDEPENDENT SCHOOL DISTRICT NO. 1-365, WAGONER COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2012**

ASSETS	GENERAL	GOVERNMENTAL FUND TYPES		CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP		TOTALS (Memorandum Only)	
		SPECIAL REVENUE	DEBT SERVICE			GENERAL	LONG-TERM DEBT	2012	2011
Cash	\$ 653,207	235,823	196,589	70,662	32,128			1,188,409	1,017,498
Investments	1,000,000							1,000,000	1,000,000
Cash held at fiscal agency							8,214	-	95,300
Amounts available in debt service									
Amounts to be provided for retirement of general long-term debt									
Total Assets	<u>1,653,207</u>	<u>235,823</u>	<u>196,589</u>	<u>70,662</u>	<u>32,128</u>	<u>2,927,526</u>	<u>2,935,740</u>	<u>5,124,149</u>	<u>5,191,571</u>

LIABILITIES AND FUND EQUITY

Liabilities									
Warrants payable	473,905	4,795						478,700	353,358
Funds held for school organizations					32,128			32,128	57,691
Unmatured obligations			188,375					188,375	176,710
Long-term debt:									
Bonds payable						770,000		770,000	900,000
Capital leases						2,165,740		2,165,740	2,178,773
Total liabilities	<u>473,905</u>	<u>4,795</u>	<u>188,375</u>		<u>32,128</u>	<u>2,935,740</u>		<u>3,634,943</u>	<u>3,666,532</u>
Fund Equity									
Cash fund balances	<u>1,179,302</u>	<u>231,028</u>	<u>8,214</u>	<u>70,662</u>				<u>1,489,206</u>	<u>1,525,039</u>
Total Liabilities and Fund Equity	<u>\$ 1,653,207</u>	<u>235,823</u>	<u>196,589</u>	<u>70,662</u>	<u>32,128</u>	<u>2,935,740</u>		<u>5,124,149</u>	<u>5,191,571</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2012

	GOVERNMENTAL FUND TYPES				TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only) 2012	2011
Revenues						
Local sources	\$ 553,344	170,013	322,855	314	1,046,526	919,332
Intermediate sources	89,417				89,417	86,435
State sources	2,435,803	24,104			2,459,907	2,385,641
Federal sources	391,274	197,110			588,384	817,817
Non-revenue receipts	27,162	139			27,301	19,129
Total revenues	<u>3,497,000</u>	<u>391,366</u>	<u>322,855</u>	<u>314</u>	<u>4,211,535</u>	<u>4,228,354</u>
Expenditures						
Instruction	2,300,874				2,300,874	2,188,911
Support services	1,175,517	42,936			1,218,453	1,169,639
Operation of non-instructional services	6,771	315,428			322,199	313,806
Facilities, acquisition & const. services		56,639		125,000	181,639	150,000
Other outlays	43,571	139			43,710	35,511
Debt service			306,785		306,785	259,670
Total expenditures	<u>3,526,733</u>	<u>415,142</u>	<u>306,785</u>	<u>125,000</u>	<u>4,373,660</u>	<u>4,117,537</u>
Revenues over (under) expenditures	(29,733)	(23,776)	16,070	(124,686)	(162,125)	110,817
Other financing sources (uses)						
Estopped warrants	1,292				1,292	203
Bond proceeds				125,000	125,000	220,000
Total other financing sources (uses)	<u>1,292</u>			<u>125,000</u>	<u>126,292</u>	<u>220,203</u>
Revenue and other sources over (under) expenditures and other uses	(28,441)	(23,776)	16,070	314	(35,833)	331,020
Cash fund balance, beginning of year	1,207,743	254,804	(7,856)	70,348	1,525,039	1,194,019
Cash fund balance, end of year	<u>\$ 1,179,302</u>	<u>231,028</u>	<u>8,214</u>	<u>70,662</u>	<u>1,489,206</u>	<u>1,525,039</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - BUDGETED GENERAL FUND
 JUNE 30, 2012**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 490,348	490,348	553,344
Intermediate sources	80,848	80,848	89,417
State sources	2,351,712	2,351,712	2,435,803
Federal sources	255,961	255,961	391,274
Non-revenue receipts			27,162
Total revenues	<u>3,178,869</u>	<u>3,178,869</u>	<u>3,497,000</u>
Expenditures			
Instruction			2,300,874
Support services			1,175,517
Operation of non-instructional services			6,771
Other outlays			43,571
Non-categorical	4,386,612	4,386,612	
Total expenditures	<u>4,386,612</u>	<u>4,386,612</u>	<u>3,526,733</u>
Revenues over (under) expenditures	(1,207,743)	(1,207,743)	(29,733)
Other financing sources (uses)			
Estopped warrants			<u>1,292</u>
Revenue and other sources over (under) expenditures and other uses	(1,207,743)	(1,207,743)	(28,441)
Cash fund balance, beginning of year	<u>1,207,743</u>	<u>1,207,743</u>	<u>1,207,743</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,179,302</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
 JUNE 30, 2012**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 143,403	143,403	170,013
State sources	19,373	19,373	24,104
Federal sources	189,224	189,224	197,110
Non-revenue receipts			139
Total revenues	<u>352,000</u>	<u>352,000</u>	<u>391,366</u>
Expenditures			
Support services			42,936
Operation of non-instructional services			315,428
Facilities Acquisition & Construction Services			56,639
Other outlays			139
Non-categorical	<u>606,804</u>	<u>606,804</u>	
Total expenditures	<u>606,804</u>	<u>606,804</u>	<u>415,142</u>
Revenues over (under) expenditures	(254,804)	(254,804)	(23,776)
Cash fund balance, beginning of year	<u>254,804</u>	<u>254,804</u>	<u>254,804</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>231,028</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - DEBT SERVICE FUNDS
 JUNE 30, 2012**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 309,782	309,782	322,855
Expenditures			
Other outlays			
Debt service	301,926	301,926	306,785
Revenues over (under) expenditures	7,856	7,856	16,070
Cash fund balance, beginning of year	(7,856)	(7,856)	(7,856)
Cash fund balance, end of year	\$ -	-	8,214

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-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

The basic financial statements of the Porter Consolidated Public Schools Independent District No. I-365 (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-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

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 2011-12 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-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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 and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2011-12 fiscal year.

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.

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.

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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

B. *Fund Accounting - contd.*

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. Interfund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

D. Budgets and Budgetary Accounting

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.

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 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, 2012 is not material to the combined financial statements-regulatory basis.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

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

E. Assets, Liabilities and Fund Equity – contd.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies- contd.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

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

F. Revenue and Expenditures- contd.

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. 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.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

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

F. Revenue and Expenditures - contd.

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 includes 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.

Interfund 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no interfund transfers during the 2011-12 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2012, the District held deposits of approximately \$2,188,409 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 deposits 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.
- 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.).

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012**

2. Deposits and Investments – contd.

The investments held at June 30, 2012 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>1,000,000</u>	<u>1,000,000</u>
Total investments		<u>\$ 1,000,000</u>	<u>\$ 1,000,000</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 (\$1,000,000).

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 building bonds payable and a capital lease. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012:

	Bonds <u>Payable</u>	Capital <u>Leases</u>	<u>Totals</u>
Balance, July 1, 2011	\$ 900,000	2,178,773	3,078,773
Additions	125,000	0	125,000
Retirements	<u>255,000</u>	<u>13,033</u>	<u>268,033</u>
Balance, June 30, 2012	<u>\$ 770,000</u>	<u>2,165,740</u>	<u>2,935,740</u>

A brief description of the outstanding long-term debt at June 30, 2012 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2008A, original issue \$730,000, interest rate of 2.9-3.0%, due in annual installments of \$180,000 beginning June 1, 2010, final payment of \$190,000 due June 1, 2013;	\$ 190,000
Building Bonds, Series 2009, original issue \$310,000, interest rate of 2.75-4.10%, due in annual installments of \$75,000, beginning July 1, 2011, final payment of \$85,000 due July 1, 2014;	235,000
Building Bonds, Series 2010, original issue \$220,000, interest rate of 1.50-4.50%, due in annual installments of \$55,000, beginning July 1, 2011, final payment of \$55,000 due July 1, 2015;	220,000
Building Bonds, Series 2011, original issue \$125,000, interest rate of 2.0-4.875%, due in annual installments of \$30,000, beginning July 1, 2013, final payment of \$35,000 due July 1, 2016;	125,000

**INDEPENDENT SCHOOL DISTRICT NO. 1-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

3. General Long-term Debt – contd.

	<u>Amount outstanding</u>
<u>Capital Leases</u>	
Lease agreement for real property, dated February 11, 2008, totaling \$3,123,586, interest rate of 5.14%, due in annual principal and interest installments of various amounts beginning August 15, 2008, with the final payment due August 15, 2017;	<u>2,165,740</u>
 Total	 <u>\$ 2,935,740</u>

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

Year ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2013	\$ 320,000	24,944	344,944
2014	160,000	15,787	175,787
2015	170,000	6,194	176,194
2016	85,000	1,763	86,763
2017	35,000	437	35,437
Totals	<u>\$ 770,000</u>	<u>49,125</u>	<u>819,125</u>

There was \$40,120 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 ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2013	\$ 413,703	111,297	525,000
2014	309,963	90,037	400,000
2015	200,892	74,108	275,000
2016	176,216	63,784	240,000
2017	475,271	54,729	530,000
Thereafter	589,695	30,305	620,000
Totals	<u>\$ 2,165,740</u>	<u>424,260</u>	<u>2,590,000</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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-365, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

4. Employee Retirement System – contd.

Annual Pension Cost

The District's portion of the total contributions for 2012, 2011 and 2010 were \$166,098, \$187,519, and \$191,620 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.

As of the audit report date, there was pending litigation against the Encumbrance Clerk and Activity Fund Custodian regarding potentially fraudulent activities against the District. Recovery of any potential losses could not be reasonably estimated.

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 has determined there to be an item necessary for disclosure. Agreed upon procedures were being conducted for the period July 1, 2011 to October 29, 2012 relating to a pending investigation of potentially fraudulent transactions in the activity funds and payroll expenditures. These transactions, however, did not appear to cause any material misstatements in the financial statements.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY
BASIS - COMBINING FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2012**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2012</u>	<u>2011</u>
Cash	\$ 141,083	94,740	235,823	289,361
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable		4,795	4,795	34,557
Fund Equity				
Cash fund balances	141,083	89,945	231,028	254,804
Total Liabilities and Fund Equity	\$ 141,083	94,740	235,823	289,361

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2012	2011
Revenues				
Local sources	\$ 87,065	82,948	170,013	160,470
State sources		24,104	24,104	20,393
Federal sources		197,110	197,110	199,183
Non-revenue receipts		139	139	454
Total revenues	<u>87,065</u>	<u>304,301</u>	<u>391,366</u>	<u>380,500</u>
Expenditures				
Support services	42,936		42,936	52,497
Operation of non-instructional services		315,428	315,428	310,416
Facilities, acquisition and const. services	56,639		56,639	
Other outlays		139	139	454
Total expenditures	<u>99,575</u>	<u>315,567</u>	<u>415,142</u>	<u>363,367</u>
Revenues over (under) expenditures	(12,510)	(11,266)	(23,776)	17,133
Cash fund balance, beginning of year	<u>153,593</u>	<u>101,211</u>	<u>254,804</u>	<u>237,671</u>
Cash fund balance, end of year	<u>\$ 141,083</u>	<u>89,945</u>	<u>231,028</u>	<u>254,804</u>

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2012

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 70,012	70,012	87,065	\$ 73,391	73,391	82,948
State sources				19,373	19,373	24,104
Federal sources				189,224	189,224	197,110
Non-revenue receipts						139
Total revenues	<u>70,012</u>	<u>70,012</u>	<u>87,065</u>	<u>281,988</u>	<u>281,988</u>	<u>304,301</u>
Expenditures						
Support services			42,936			315,428
Operation of non-instructional services						
Facilities Acquisition & Construction Services			56,639			139
Other outlays						
Non-categorical	223,605	223,605		383,199	383,199	
Total expenditures	<u>223,605</u>	<u>223,605</u>	<u>99,575</u>	<u>383,199</u>	<u>383,199</u>	<u>315,567</u>
Revenues over (under) expenditures	(153,593)	(153,593)	(12,510)	(101,211)	(101,211)	(11,266)
Cash fund balance, beginning of year	153,593	153,593	153,593	101,211	101,211	101,211
Cash fund balance, end of year	\$ -	-	141,083	\$ -	-	89,945

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	<u>2011</u>	<u>2010</u>	<u>TOTALS</u>	
	BUILDING	BUILDING	(Memorandum Only)	
<u>ASSETS</u>	<u>BOND FUND</u>	<u>BOND FUND</u>	<u>2012</u>	<u>2011</u>
Cash	<u>\$ 70,662</u>	<u>-</u>	<u>70,662</u>	<u>70,348</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Fund equity				
Cash fund balances	70,662	-	70,662	70,348
Total Liabilities and Fund Equity	<u>\$ 70,662</u>	<u>-</u>	<u>70,662</u>	<u>70,348</u>

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	2011 BUILDING BOND FUND	2010 BUILDING BOND FUND	TOTALS (Memorandum Only)	
			2012	2011
Revenue				
Local sources	\$ 314	-	314	750
Expenditures				
Facilities, acquisition & const. services	54,652	70,348	125,000	150,000
Revenues over (under) expenditures	(54,338)	(70,348)	(124,686)	(149,250)
Other financing sources (uses)				
Operating transfers in (out)			-	(402)
Bond sales proceeds	125,000		125,000	220,000
Total other financing sources (uses)	125,000	-	125,000	219,598
Revenue and other sources over (under) expenditures and other uses	70,662	(70,348)	314	70,348
Cash fund balance, beginning of year	-	70,348	70,348	-
Cash fund balance, end of year	\$ 70,662	-	70,662	70,348

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
 JUNE 30, 2012**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2012	2011
<u>ASSETS</u>		
Cash	\$ 32,128	57,691
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 32,128	57,691

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Athletics	\$ 10,491	61,104		63,942	7,653
Seniors Class of 2007	210	-		-	210
JH Cheer	1,445	11,157		13,637	(1,035)
Eighth Grade	211	2,950	(211)	1,938	1,012
Ninth Grade	991	1,140	(780)	938	413
Tenth Grade	2,058	477	(1,067)	400	1,068
Eleventh Grade		-	2,058	-	2,058
Elementary	5,433	10,395		11,517	4,311
FFA	12,775	52,064		62,040	2,799
FCCLA	1,329	4,473		5,501	301
Class of 2012	1,684	3,136		4,874	(54)
Library	872	5,429		4,665	1,636
Miscellaneous	212	842		298	756
NHS Account	254	1,451		1,083	622
Student Council	680	1,570		1,588	662
Yearbook	2,681	5,163		6,650	1,194
Academics	500	638		1,068	70
Class of 2013	2,774	4,022		5,426	1,370
High School	2,562	4,351		7,373	(460)
FCA	73	-		-	73
Art Club	99	231		201	129
Kindergarten	91	1,730		1,556	265
1st Grade	534	928		1,281	181
2nd Grade	145	960		683	422
3rd Grade	637	539		982	194
4th Grade	324	790		786	328
5th Grade	925	689		870	744
6th Grade	268	483		204	547
Gifted & Talented	803	1,613		1,671	745
Science	17	15		-	32
Fifth-Pratt	929	1,439		2,149	219
Drama Club	5	-		-	5
Pre K	51	1,462		1,437	76
Native American	382	429		568	243
Elementary P.E.	1,470	2,582		2,329	1,723
Class of 2008	\$ 515	-		-	515

**INDEPENDENT SCHOOL DISTRICT NO. 1-365, WAGONER COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 REGULATORY BASIS - ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

<u>Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Accelerated Reader	\$ 113	1,360		1,120	353
Newspaper Account	163	-		-	163
Counselor	2,884	1,580		736	3,728
Class of 2009	101	-		-	101
Audit Adjustment	-	(3,244)		-	(3,244)
TOTAL ASSETS - AGENCY FUNDS	<u>57,691</u>	<u>183,948</u>	<u>-</u>	<u>209,511</u>	<u>32,128</u>
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	<u>\$ 57,691</u>	<u>183,948</u>	<u>-</u>	<u>209,511</u>	<u>32,128</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-365, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Ready Emergency Management Schools	84.184E	Q184E110002	\$ 141,050		56,525	56,525	
Title VII-Part A, Indian Education	84.060	S060A111168	32,531		32,531	32,531	
Title VI Small, Rural School Ach. Program	84.358	S358A111673	25,572		25,572	25,572	
Subtotal			199,153	-	114,628	114,628	-
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		110,255		110,255	110,255	
Title II-Part A, REAP	84.367		27,440		27,126	27,126	
* Special Education, Flowthrough, P.L. 105-17	84.027		100,525		100,525	100,525	
* Special Education, Early Intervening Services	84.027		17,740		17,740	17,740	
* Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		3,388		3,388	3,388	
Subtotal			259,348	-	259,034	259,034	-
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		16,069		16,069	16,069	
Carl Perkins Grant	84.048			(1,265)	1,265		
Subtotal			\$ 16,069	(1,265)	17,334	16,069	-
<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				17,008	17,008	
Non-Cash Assistance Subtotal					17,008	17,008	
Cash Assistance:							
National School Lunch Program	10.555				151,008	151,008	
School Breakfast Program	10.553				46,102	46,102	
Cash Assistance Subtotal					197,110	197,110	
Total For Program (Cluster)					214,118	214,118	

**INDEPENDENT SCHOOL DISTRICT NO. 1-365, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/			Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount			
Other Federal Assistance:						
Johnson O'Malley	15.130		\$ 9,120	9,120	(9,120)	
Flood Control	12.112		278	278		
Subtotal			9,398	9,398	(9,120)	
Total Federal Assistance			\$ 483,968	613,247	(9,120)	

* Major federal programs

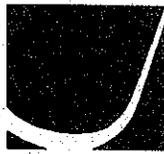
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$17,008 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 NO. I-365, WAGONER COUNTY
 SCHEDULE OF SURETY BONDS
 FOR THE YEAR ENDED JUNE 30, 2012**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety	Superintendent	70764772	\$100,000	7/1/11-7/1/12
	Treasurer	69369379	\$100,000	7/3/11-7/3/12
	Activity Fund Custodian	71121893	\$1,000	7/1/11-7/1/12
	Encumbrance Clerk	14327656	\$1,000	7/1/11-7/1/12
	Minutes Clerk	71222921	\$1,000	7/1/11-7/1/12



Jack H. Jenkins, CPA *A Professional Corporation*

**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
Porter Consolidated School District No. I-365
Porter, Oklahoma 74454-0120

I have audited the regulatory basis financial statements of Porter Consolidated School District No. I-365, Porter, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated March 4, 2013. 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.

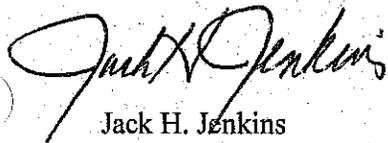
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 five (5) 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. I also reported these matters to the District's management in a separate letter dated March 4, 2013.

The District's response to the findings identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

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 4, 2013



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
Porter Consolidated School District No. I-365
Porter, Oklahoma 74454-0120

Compliance

I have audited the compliance of Porter Consolidated School District No. I-365, Porter, 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, 2012. 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, Porter Consolidated School District No. I-365, Porter, 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, 2012. 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 Porter Consolidated School District No. I-365, Porter, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of

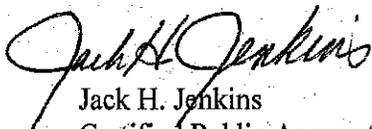
laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures 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 4, 2013

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2011 TO 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 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, however, we noted five (5) immaterial instances of noncompliance on pages 43-45 and in a management letter dated March 4, 2013.
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: Special Education 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.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2011 TO JUNE 30, 2012

Findings – Financial Statement Audit

12-01 – Activity Fund Reconciliation

Condition: We observed that reconciliation from the bank statement to the activity fund control ledger did not appear to be done in a timely manner and on a monthly basis, leaving year-end cash overstated by \$3,244 as a result of erroneously entered receipts.

Criteria: According to the OCAS manual, “The School Activity Fund custodian shall furnish a report to superintendent and board of education monthly. This report should show previous balance in each Sub-Account and total School Activity Fund balance. The Activity Fund custodian shall reconcile the bank statement when received. This information will be included in the monthly report to the superintendent and board of education.”

Effect: If the transactions are not entered timely, the District may not classify all receipts and disbursements to the proper account.

Recommendation: The Activity Fund custodian must reconcile the sub-account balances to the control ledger at the same time the control ledger is reconciled with the bank statement at the end of each month, as required by the State Department of Education.

12-02 – Activity Fund Deposits

Condition: We observed receipts for the activity fund were not always deposited in a timely manner and it appeared not all of the collections were receipted and deposited.

Criteria: All cash and equivalent collections should be receipted and receipts should be deposited on a daily basis once the accumulated balance equals or exceeds one hundred dollars (\$100.00) or at least once a week regardless of how much is on hand.

Effect: Cash or checks relating to receipts that are not deposited timely could get lost or stolen and collections not receipted cannot be traced to the bank statement.

Recommendation: The Activity Fund custodian should receipt all collections and deposit receipts for cash and checks on a daily basis unless the daily total does not exceed one hundred dollars (\$100.00), but at least once a week regardless as required by the State Department of Education.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2011 TO JUNE 30, 2012

12-03 – Game and Concession Receipts

Condition: Gate and concession receipts were compared to actual deposits and it appeared at least \$6,981 was not deposited into the Activity Fund during the period December 2011 to February 2012. While some of the gate and concession collections did not appear to have been deposited at all, others had partial deposits that included checks and money orders, both of which are not accepted by the District as payment for admission and concessions. It would appear collections for other activities were used to bolster these deposits. Due to incomplete information, the extent of this discrepancy could not be determined.

Criteria: All collections of cash or check must be receipted by the Activity Fund Custodian and deposited in a timely manner at the bank.

Effect: Cash relating to game and concession collections can be lost or stolen and cannot be traced to a bank deposit.

Recommendation: That gate and concession collections be counted and verified by the sponsor and Activity Fund Custodian and a receipt to the sponsor be issued at the time possession of the funds is transferred.

12-04 – Payroll

Condition: Employee payroll contracts for Lori Tedder and Ashley Myers appeared to have been overpaid by \$4,474.68 and \$3,230.02 respectively, with no explanation for the overpayment.

Criteria: The teacher and administrative pay for the fiscal year should agree to the employee contracts with any differences documented in the payroll file.

Effect: The District could pay an amount that is not approved by the Board of Education and on the personnel report submitted to the State Department of Education.

Recommendation: That a reconciliation between the payroll authorization report and the contract be made at the beginning of the year to ensure that the employees are being paid according to their contract.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2011 TO JUNE 30, 2012

12-05 – Questionable Purchases

Condition: Purchases in excess of \$3,600 made on the District's Wal-Mart credit card appeared to be of a questionable nature, including women's clothing and video games. Due to incomplete information, the full extent of this discrepancy could not be determined.

Criteria: Expenditures made with District funds should be for items considered within the normal operating expenses of a school district and a policy should be in place regarding how the District credit cards are administered.

Effect: The District could unknowingly purchase items of a personal nature or items prohibited by law.

Recommendation: That the District adopt a credit card policy and card check out procedure as well as requiring a reconciliation of the monthly credit card statement to individual receipts, performed by personnel not associated with accounts payable.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

**INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2011 TO JUNE 30, 2012**

There were no material prior year audit findings.

INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma)
County of Tulsa)

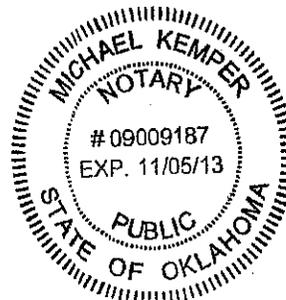
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Porter Consolidated School District for the audit year 2011-12.

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

BY *Jack H. Jenkins*
AUTHORIZED AGENT

Subscribed and sworn to before me on this
4th day of March, 2013

Michael Kemper
NOTARY PUBLIC



INDEPENDENT SCHOOL DISTRICT NO. I-365, WAGONER COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2011 TO JUNE 30, 2012

The annual independent audit for the Porter Consolidated 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."

Mark Fenton
Superintendent of Schools

March 11-2013
Date of Board Meeting

[Signature] *acting*
Board of Education President

[Signature]
Board of Education Clerk

Board of Education Vice President

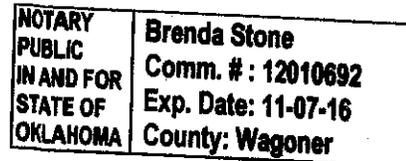
[Signature]
Board of Education Member

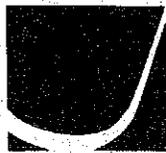
Brenda Livesay
Board of Education Member

Subscribed and sworn to before me on this 11 day of March, 2013.
My commission expires on 7 day of November, 2016.

Brenda Stone
Notary Public

Affix Notary Seal





Jack H. Jenkins, CPA *A Professional Corporation*

March 4, 2013

Porter Consolidated Public Schools
Attn: Mr. Mark Fenton
PO Box 120
Porter, OK 74454-0120

Dear Mr. Fenton:

Listed below is the audit exception and recommendation from the final audit work we performed for you. Please review it 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 the exception relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments require 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.

12-01 – Activity Fund Reconciliation

Condition: We observed that reconciliation from the bank statement to the activity fund control ledger did not appear to be done in a timely manner and on a monthly basis, leaving year-end cash overstated by \$3,244 as a result of erroneously entered receipts.

Criteria: According to the OCAS manual, "The School Activity Fund custodian shall furnish a report to superintendent and board of education monthly. This report should show previous balance in each Sub-Account and total School Activity Fund balance. The Activity Fund custodian shall reconcile the bank statement when received. This information will be included in the monthly report to the superintendent and board of education."

Effect: If the transactions are not entered timely, the District may not classify all receipts and disbursements to the proper account.

Recommendation: The Activity Fund custodian must reconcile the sub-account balances to the control ledger at the same time the control ledger is reconciled with the bank statement at the end of each month, as required by the State Department of Education.

12-02 – Activity Fund Deposits

Condition: We observed receipts for the activity fund were not always deposited in a timely manner and it appeared not all of the collections were received and deposited.

Criteria: All cash and equivalent collections should be receipted and receipts should be deposited on a daily basis once the accumulated balance equals or exceeds one hundred dollars (\$100.00) or at least once a week regardless of how much is on hand.

Effect: Cash or checks relating to receipts that are not deposited timely could get lost or stolen and collections not receipted cannot be traced to the bank statement.

Recommendation: The Activity Fund custodian should receipt all collections and deposit receipts for cash and checks on a daily basis unless the daily total does not exceed one hundred dollars (\$100.00), but at least once a week regardless as required by the State Department of Education.

12-03 – Game and Concession Receipts

Condition: Gate and concession receipts were compared to actual deposits and it appeared at least \$6,981 was not deposited into the Activity Fund during the period December 2011 to February 2012. While some of the gate and concession collections did not appear to have been deposited at all, others had partial deposits that included checks and money orders, both of which are not accepted by the District as payment for admission and concessions. It would appear collections for other activities were used to bolster these deposits. Due to incomplete information, the extent of this discrepancy could not be determined.

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Effect: The District could pay an amount that is not approved by the Board of Education and on the personnel report submitted to the State Department of Education.

Recommendation: That a reconciliation between the payroll authorization report and the contract be made at the beginning of the year to ensure that the employees are being paid according to their contract.

12-05 – Questionable Purchases

Condition: Purchases in excess of \$3,600 made on the District's Wal-Mart credit card appeared to be of a questionable nature, including women's clothing and video games. Due to incomplete information, the full extent of this discrepancy could not be determined.

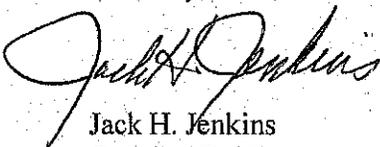
Criteria: Expenditures made with District funds should be for items considered within the normal operating expenses of a school district and a policy should be in place regarding how the District credit cards are administered.

Effect: The District could unknowingly purchase items of a personal nature or items prohibited by law.

Recommendation: That the District adopt a credit card policy and card check out procedure as well as requiring a reconciliation of the monthly credit card statement to individual receipts, performed by personnel not associated with accounts payable.

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,



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

Porter
School Name

EON Checklist

initial/date

- 1) AO 8/23/12 Takeoff work papers filed on "S" drive and in front of book. (Warrant Account, General Ledger, etc.)
file format: takeoffs "date" "school" "initials"
- 2) AO 8/23/12 Any new bond issues or judgments are filed with A.G.'s opinion or court document.
- 3) N/A A list of reserves has been filed in front of book and agrees with Warrant Account.
- 4) AO 8/23/12 Verify that appropriations have not been exceeded for any funds.
- 5) N/A All supplemental appropriation forms (e.g. 307's or 308's) are filed in front of book.
- 6) AO 8/23/12 Revenue has been confirmed and work paper has been concluded and filed in front of book.
- 7) _____ Allocation notices entered into EON and filed in front of book.
- 8) _____ County valuations have been entered (primary and all joint counties)
Note: Only use "Assessor's Report to the Excise Board" if it has been certified by County Clerk
- 9) _____ 2011 Appropriations worksheet has been started and filed with EON on "S" drive.
file format: 2011 appsheet "date" "school" "initials"
- 10) _____ EON file saved on "S" drive
file format: 2011 EON "date" "school" "initials"
- 11) _____ 2011 Appropriations worksheet has been signed by school representative.
- 12) _____ Three EON booklets have been mailed to client. Include the treasurer's copies of EON (including appsheet) and final 2011 appsheet along with the instructional cover letter.

Please initial and date after completing each step above. This form is to be kept in the front of the book until finishing is complete. Please make notes of any special requests from the client on this form.

After EON is mailed please file this form in section 11.



PORTER CONSOLIDATED SCHOOLS
P.O. Box 120 ~ PORTER, OKLAHOMA 74454
Telephone 918-483-2401 Fax 918-483-2310
Superintendent: Mark Fenton E-mail: mfenton@porter.k12.ok.us



March 13, 2013

Dear Mr. Jenkins,

Please find the following responses to the findings of the audit performed by your firm for the 2011-2012 school year.

Findings – Financial Statement Audit (page 43)

12-01 – Activity Fund Reconciliation

- Bank statement for the Activity Fund will be completed by the 10th of each month.
- Copy of Income/Expense Report for the Activity Fund will be attached to bank statement and reconciliation spreadsheet. (Attachment A)
- Copy of reconciliation will be available for board to look over at their monthly board meeting.

12-02 – Activity Fund Deposits

- As deposits are turned into Activity Fund custodian, custodian will sign off on Activity Fund Collection Form. This is a three part form. The pink copy will go to individual turning in deposit.
- Custodian will make deposits as received. (Attachment B)
- After receiving deposit slip back from bank, custodian will entry deposit on Fame. The receipt number assigned by system will be written in deposit book yellow copy.
- White copy of form will be attached to Treasurer's Receipt for office copy.
- Yellow copy will attached to sponsors copy of the Treasurer's Receipt.

12-03 Game and Concession Receipts

- As deposits are turned into Activity Fund custodian, custodian will sign off on Activity Fund Collection Form. This is a three part form. The pink copy will go to individual turning in deposit.
- Custodian will also attach copy of Gate Receipts/Concession Receipts with signatures of the two people that counted receipts to the Treasurer's Receipt when printed. (Attachment C & D)
- Custodian will make deposits as received.
- After receiving deposit slip back from bank, custodian will entry deposit on Fame. The receipt number assigned by system will be written in deposit book yellow copy.
- White copy of form will be attached to Treasurer's Receipt for office copy.

- Yellow copy will attached to sponsors copy of the Treasurer's Receipt.
- Sponsor will be verifying receipt to their receipt book.

12-04 – Payroll

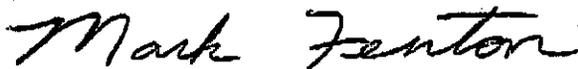
- At the beginning of the year payroll authorization report and the contracts will be reconciled/proofed.

12-05 – Questionable Purchases

- Wal-Mart, Sam's and Hobby Lobby credit cards will be logged out and logged in. (Attachment E)
- Receipts will be turned in when turning in cards.
- Cards will be turned in next day after checking out.
- Credit Cards will be signed off by two people proofing purchases.
- PO numbers and warrant numbers will be written on original statement by purchases paying for.

Every effort will be put forward to maintain these controls plus others that we are presently working on.

Sincerely,



Mark Fenton
Superintendent

Attachment "B"

Activity Fund Collection Form

Deposit to the account of: _____ Project # _____ Date: _____

Person Making Deposit: _____

Cash Amount: _____ Check Amount: _____ Total Deposit: _____

Money From: _____ Sponsor Receipt# From: _____ To: _____

For Office use only below line

Account #	_____	_____	_____	_____	_____	_____	Receipt#	_____
	FY	FUND	PROJ	SOURCE	PROG	SITE		

Processed by: _____ Posted Date: _____

Attachment "C"

PORTER CONSOLIDATED SCHOOLS
P.O. BOX 120
PORTER, OK 74454
'GATE RECEIPTS'

High School * Jr. High
Elementary

Basketball * Football * Soccer
Softball Baseball
Tournament

DATE _____

PORTER VS _____

Pennies _____

Pennies _____

Nickles _____

Nickles _____

Dimes _____

Dimes _____

Quarters _____

Quarters _____

Halves _____

Halves _____

ONE Dollars _____

ONE Dollars _____

FIVE Dollars _____

FIVE Dollars _____

TEN Dollars _____

TEN Dollars _____

TWENTY Dollars _____

TWENTY dollars _____

TOTAL _____

TOTAL _____

Check # _____

Less Beginning
TOTAL _____

Net Receipts
TOTAL _____

GATE WORKERS _____

Attachment "D"

**PORTER CONSOLIDATED SCHOOLS
P.O. BOX 120 TELEPHONE 918 483-2401
PORTER, OK 74454**

CONCESSION RECEIPTS

High School * Jr. High
Elementary

Basketball * Football
Baseball * Softball

Date _____

PORTER VS _____

Pennies _____

Pennies _____

Nickles _____

Nickles _____

Dimes _____

Dimes _____

Quarters _____

Quarters _____

Halves _____

Halves _____

ONE Dollars _____

ONE Dollars _____

FIVE Dollars _____

FIVE Dollars _____

TEN Dollars _____

TEN Dollars _____

TWENTY DOLLARS _____

TWENTY Dollars _____

TOTAL _____

TOTAL _____

Check # _____

Less Beginning
TOTAL _____

Net Receipts
TOTAL _____

WORKERS _____
