

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

**QUINTON SCHOOL DISTRICT NO. I-17,
PITTSBURG COUNTY, OKLAHOMA**

JUNE 30, 2012

Audited by

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

**INDEPENDENT SCHOOL DISTRICT NO. I-17
PITTSBURG COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-17
PITTSBURG COUNTY, OKLAHOMA
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-17
PITTSBURG COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

BOARD OF EDUCATION

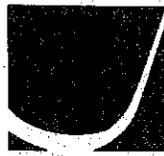
President	Bart Howell
Vice-President	Lou Ann Knell
Clerk	Scott Daniels
Member	Thomas Reasnor
Member	J.R. Needham

SUPERINTENDENT OF SCHOOLS

Don Cox

**MINUTES CLERK &
SCHOOL DISTRICT TREASURER**

Barbara Eakle



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Quinton School District No. I-017
Quinton, Oklahoma 74561-0670

I have audited the accompanying regulatory basis financial statements of Quinton School District No. I-017, Quinton, 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.

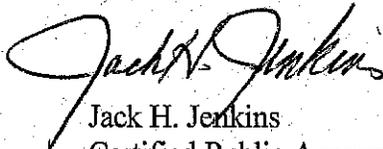
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of 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 Quinton School District No. I-017, Quinton, 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 Quinton School District No. I-017, Quinton, 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 Quinton School District No. I-017'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. 1-17, PITTSBURG COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2012**

ASSETS	GOVERNMENTAL FUND TYPES		CAPITAL PROJECTS	FIDUCIARY FUND TYPES		ACCOUNT GROUP	TOTALS	
	SPECIAL REVENUE	DEBT SERVICE		EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT		2012	(Memorandum Only) 2011
Cash	\$ 1,038,483	42,028	112,924	214,278	58,851		1,466,564	1,031,350
Investments	80,143						80,143	76,418
Amounts available in debt service						9,844	9,844	-
Amounts to be provided for retirement of general long-term debt						1,989,576	1,989,576	715,276
Total Assets	<u>1,118,626</u>	<u>42,028</u>	<u>112,924</u>	<u>214,278</u>	<u>58,851</u>	<u>1,999,420</u>	<u>3,546,127</u>	<u>1,823,044</u>

LIABILITIES AND FUND EQUITY

Liabilities							492,072	331,411
Warrants payable	491,503	569					27,763	77,011
Encumbrances	27,077	686					58,851	61,013
Funds held for school organizations					58,851		103,080	130,281
Unmatured obligations			103,080					
Long-term debt:								
Bonds payable						820,000	820,000	705,000
Capital leases						1,179,420	1,179,420	10,276
Total liabilities	<u>518,580</u>	<u>1,255</u>	<u>103,080</u>		<u>58,851</u>	<u>1,999,420</u>	<u>2,681,186</u>	<u>1,314,992</u>
Fund Equity								
Cash fund balances	600,046	40,773	9,844	214,278			864,941	508,052
Total Liabilities and Fund Equity	<u>\$ 1,118,626</u>	<u>42,028</u>	<u>112,924</u>	<u>214,278</u>	<u>58,851</u>	<u>1,999,420</u>	<u>3,546,127</u>	<u>1,823,044</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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) 2011
Revenues					
Local sources	\$ 533,495	59,415	247,932	840,842	714,910
Intermediate sources	121,790			121,790	104,661
State sources	2,910,889			2,910,889	2,768,328
Federal sources	1,193,349			1,193,349	1,145,306
Non-revenue receipts					436
Total revenues	<u>4,759,523</u>	<u>59,415</u>	<u>247,932</u>	<u>5,066,870</u>	<u>4,733,641</u>
Expenditures					
Instruction	2,493,997			2,493,997	2,581,309
Support services	1,471,105	24,605		416,249	1,903,551
Operation of non-instructional services	361,056			361,056	364,927
Facilities, acquisition and const. services					187,113
Other outlays	38,952			38,952	37,393
Other uses	3,411			3,411	7,075
Debt service			236,178	236,178	246,001
Total expenditures	<u>4,368,521</u>	<u>24,605</u>	<u>236,178</u>	<u>416,249</u>	<u>5,327,369</u>
Revenues over (under) expenditures	391,002	34,810	11,754	(416,249)	(593,728)
Other financing sources (uses)					
Operating transfers in (out)	22	(22)		158	(6,177)
Lapsed appropriations	(44,450)	(523)		5,329	826
Estopped warrants	1,288			(1,175)	(60)
Bank charges	(55)			375,000	445,000
Bond proceeds				379,312	439,589
Total other financing sources (uses)	<u>(43,195)</u>	<u>(545)</u>		<u>335,572</u>	
Revenue and other sources over (under) expenditures and other uses	347,807	34,265	11,754	(36,937)	(154,139)
Cash fund balance, beginning of year	252,239	6,508	(1,910)	251,215	662,191
Cash fund balance, end of year	<u>\$ 600,046</u>	<u>40,773</u>	<u>9,844</u>	<u>214,278</u>	<u>508,052</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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	\$ 381,250	381,250	533,495
Intermediate sources	95,803	95,803	121,790
State sources	2,661,907	2,797,511	2,910,889
Federal sources	711,275	871,627	1,193,349
Total revenues	<u>3,850,235</u>	<u>4,146,191</u>	<u>4,759,523</u>
Expenditures			
Instruction			2,493,997
Support services	460,104	460,104	1,471,105
Operation of non-instructional services			361,056
Other outlays			38,952
Other uses			3,411
Non-categorical	3,642,370	3,938,326	
Total expenditures	<u>4,102,474</u>	<u>4,398,430</u>	<u>4,368,521</u>
Revenues over (under) expenditures	(252,239)	(252,239)	391,002
Other financing sources (uses)			
Operating transfers in (out)			22
Lapsed appropriations			(44,450)
Estopped warrants			1,288
Bank charges			(55)
Total other financing sources (uses)			<u>(43,195)</u>
Revenue and other sources over (under) expenditures and other uses	(252,239)	(252,239)	347,807
Cash fund balance, beginning of year	<u>252,239</u>	<u>252,239</u>	<u>252,239</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>600,046</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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	\$ 54,434	54,434	59,415
Total revenues	<u>54,434</u>	<u>54,434</u>	<u>59,415</u>
Expenditures			
Support services			24,605
Non-categorical	60,942	60,942	
Total expenditures	<u>60,942</u>	<u>60,942</u>	<u>24,605</u>
Revenues over (under) expenditures	(6,508)	(6,508)	34,810
Other financing sources (uses)			
Operating transfers in (out)			(22)
Lapsed appropriations			(523)
Estopped warrants			
Total other financing sources (uses)			<u>(545)</u>
Revenue and other sources over (under) expenditures and other uses	(6,508)	(6,508)	34,265
Cash fund balance, beginning of year	<u>6,508</u>	<u>6,508</u>	<u>6,508</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>40,773</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG 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	\$ 238,089	238,089	247,932
Non-revenue receipts			
Total revenues	<u>238,089</u>	<u>238,089</u>	<u>247,932</u>
Expenditures			
Other outlays			
Debt service	<u>236,179</u>	<u>236,179</u>	<u>236,178</u>
Revenues over (under) expenditures	1,910	1,910	11,754
Cash fund balance, beginning of year	<u>(1,910)</u>	<u>(1,910)</u>	<u>(1,910)</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>9,844</u>

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG 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 Quinton Public Schools Independent District No. I-17 (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-17, PITTSBURG 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. 1-17, PITTSBURG 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.

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. The District did not maintain this fund during the 2011-12 fiscal year.

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. 1-17, PITTSBURG 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 fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds in 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-17, PITTSBURG 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-17, PITTSBURG COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

C. Basis of Accounting and Presentation – contd.

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

D. Budgets and Budgetary Accounting

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

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

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

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG 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.

Inventories - The value of consumable inventories at June 30, 2012 is not material to the combined financial statements-regulatory basis.

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

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

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

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

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

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

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-17, PITTSBURG 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 owed. 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-17, PITTSBURG 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.

All of the federal revenues received by the District are apportioned to the general fund in the current fiscal year.

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-17, PITTSBURG 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 include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

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

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 was an operating transfer of \$22 into the general fund to close out the cooperative fund.

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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 \$1,546,707 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-17, PITTSBURG COUNTY
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2012**

2. Deposits and Investments – cont'd

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>80,143</u>	<u>80,143</u>
Total investments		<u>\$ 80,143</u>	<u>80,143</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 (\$80,143).

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 one (1) 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-17, PITTSBURG 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 Payable	Capital Leases	Totals
Balance, July 1, 2011	\$ 705,000	10,276	715,276
Additions	375,000	1,297,635	1,672,635
Retirements	260,000	128,491	388,491
Balance, June 30, 2012	<u>\$ 820,000</u>	<u>1,179,420</u>	<u>1,999,420</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 2010, original issue \$445,000, interest rate of 1.55-2.8%, due in annual installments of \$120,000 beginning 7-1-12, final payment due 7-1-15;	\$ 445,000
Building Bonds, Series 2011, original issue \$375,000, Interest rate of 1-1.25%, due in annual installments of \$125,000 beginning 7-1-13, final payment due 7-1-15;	375,000
<u>Capital Leases</u>	
Lease agreement with Standard Capital Finance, dated 12-17-10, totaling \$1,297,635, due in variable annual principal and interest installments beginning 8-15-11 with a final payment due 8-15-21;	<u>1,179,420</u>
Totals	<u>\$ 1,999,420</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

3. General Long-term Debt – contd

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

Year ending June 30	Principal	Interest	Total
2013	\$ 85,000	13,415	98,415
2014	245,000	11,035	256,035
2015	245,000	7,613	252,613
2016	245,000	4,082	249,082
Total	<u>\$ 820,000</u>	<u>36,145</u>	<u>856,145</u>

There was \$3,380 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 June 30	Principal	Interest	Total
2013	\$ 1,157	54,843	56,000
2014	-	41,250	41,250
2015	281,672	68,329	350,001
2016	43,308	41,691	84,999
2017	52,822	39,678	92,500
Thereafter	800,461	122,039	922,500
Total	<u>\$ 1,179,420</u>	<u>367,830</u>	<u>1,547,250</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Employee Retirement System – contd.

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.

Annual Pension Cost

The District's portion of the total contributions for 2012, 2011 and 2010 were \$153,848, \$229,444, and \$222,569 respectively.

INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

5. Contingencies

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

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. Subsequent Events

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

<u>ASSETS</u>	BUILDING	COOP	TOTALS	
	FUND	FUND	(Memorandum Only)	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 42,028	-	42,028	10,248
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	569		569	-
Encumbrances	686		686	3,740
Total liabilities	<u>1,255</u>	<u>-</u>	<u>1,255</u>	<u>3,740</u>
Fund Equity				
Cash fund balances	<u>40,773</u>	<u>-</u>	<u>40,773</u>	<u>6,508</u>
Total Liabilities and Fund Equity	<u>\$ 42,028</u>	<u>-</u>	<u>42,028</u>	<u>10,248</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

	BUILDING FUND	COOP FUND	TOTALS (Memorandum Only)	
			2012	2011
Revenues				
Local sources	\$ 59,415		59,415	52,431
Total revenues	<u>59,415</u>	-	<u>59,415</u>	<u>52,431</u>
Expenditures				
Instruction			-	
Support services	24,605		24,605	54,402
Total expenditures	<u>24,605</u>	-	<u>24,605</u>	<u>54,402</u>
Revenues over (under) expenditures	34,810	-	34,810	(1,971)
Other financing sources (uses)				
Operating transfers in (out)		(22)	(22)	-
Lapsed appropriations	(523)		(523)	3,162
Estopped warrants			-	22
Total other financing sources (uses)	<u>(523)</u>	<u>(22)</u>	<u>(545)</u>	<u>3,184</u>
Revenue and other sources over (under) expenditures and other uses	34,287	(22)	34,265	1,213
Cash fund balance, beginning of year	<u>6,486</u>	<u>22</u>	<u>6,508</u>	<u>5,295</u>
Cash fund balance, end of year	<u>\$ 40,773</u>	<u>-</u>	<u>40,773</u>	<u>6,508</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 54,434	54,434	59,415			
Total revenues	54,434	54,434	59,415			
Expenditures						
Support services			24,605			
Non-categorical	60,920	60,920		22	22	
Total expenditures	60,920	60,920	24,605	22	22	
Revenues over (under) expenditures	(6,486)	(6,486)	34,810	(22)	(22)	
Other financing sources (uses)						(22)
Operating transfers in (out)						
Lapsed appropriations			(523)			
Total other financing sources (uses)			(523)			(22)
Revenue and other sources over (under) expenditures and other uses	(6,486)	(6,486)	34,287	(22)	(22)	(22)
Cash fund balance, beginning of year	6,486	6,486	6,486	22	22	22
Cash fund balance, end of year	\$ -	-	40,773	\$ -	-	-

INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	2010 BUILDING BOND FUND	2011 BUILDING BOND FUND	TOTALS (Memorandum Only)	
			2012	2011
<u>ASSETS</u>				
Cash	\$ 149,301	64,977	214,278	266,743
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Encumbrances			-	15,527
Fund equity				
Cash fund balances	149,301	64,977	214,278	251,216
Total Liabilities and Fund Equity	\$ 149,301	64,977	214,278	266,743

INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	2010 BUILDING BOND FUND	2011 BUILDING BOND FUND	TOTALS (Memorandum Only)	
			2012	2011
Expenditures				
Support Services	\$ 106,226	310,023	416,249	266,662
Facilities, acquisition & const. services			-	187,113
Total expenditures	<u>106,226</u>	<u>310,023</u>	<u>416,249</u>	<u>453,775</u>
Revenues over (under) expenditures	(106,226)		(106,226)	(453,775)
Other financing sources (uses)				
Bank charges	(1,175)		(1,175)	(10)
Lapsed appropriations	158		158	
Estopped warrants	5,329		5,329	
Bond sales proceeds		375,000	375,000	445,000
Total other financing sources (uses)	<u>4,312</u>	<u>375,000</u>	<u>379,312</u>	<u>444,990</u>
Revenue and other sources over (under) expenditures and other uses	(101,914)	64,977	(36,937)	(8,785)
Cash fund balance, beginning of year	<u>251,215</u>	<u>-</u>	<u>251,215</u>	<u>260,000</u>
Cash fund balance, end of year	<u>\$ 149,301</u>	<u>64,977</u>	<u>214,278</u>	<u>251,215</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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	\$ 58,851	61,013
	58,851	61,013
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 58,851	61,013
	58,851	61,013

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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	\$ 1,161	55,116		54,929	1,348
Band	4,207	8,370		10,262	2,315
Cheerleaders-High School	47	7,078		3,940	3,185
Cheerleaders-Junior High	532	7,058		6,283	1,307
Elementary	4,955	21,381		22,776	3,560
FCCLA	516	1,673		1,678	511
FFA	5,069	19,307		19,032	5,344
Elementary GT	2,121	11,485		12,806	800
Interest	615	656		-	1,271
Library	6,090	8,225		9,222	5,093
Petty Cash	115	200		315	-
Stock Show	2,492	10,877		10,514	2,855
Student Council	-	758		307	451
Vending-High School	4,596	21,038		17,110	8,524
Yearbook	6,975	7,846		8,311	6,510
Speech-Drama	3,124	3,648		6,145	627
Art	682	198		93	787
Lock-in	663	665		688	640
Quiz Bowl	4	258		100	162
FCA	9	1,164		356	817
Class of 2012	14,580	8,500		23,080	-
Class of 2011	207	-		207	-
Class of 2013	1,323	31,537		22,991	9,869
Class of 2014	-	373		-	373
Administration	825	4,031		2,663	2,193
Headstart	-	-		-	-
New York Trip	6	-		-	6
Class of 2015	90	-		-	90
Class of 2016	9	204		-	213
TOTAL ASSETS - AGENCY FUNDS	61,013	231,646	-	233,808	58,851
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	\$ 61,013	231,646	-	233,808	58,851

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG 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>							
Title VIII Impact Aid - 2012	84.041	S041B124161	\$ 62,695		62,695	62,695	
Title VIII Impact Aid - 2010	84.041	S041B104161	4,459		4,459	4,459	
Title VIII Impact Aid - 2009	84.041	S041B094161	6,697		6,697	6,697	
Title VII-Part A, Indian Education	84.060	S060A110104	43,245		43,245	43,245	
Small, Rural School Ach. Program	84.358	S358A112791	34,022		34,022	34,022	
Subtotal			<u>151,118</u>	-	<u>151,118</u>	<u>151,118</u>	-
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		215,902	(27,184)	208,271	208,271	
Title I-Part A, Improving Basic Programs 2010-11 - Note 1	84.010				27,184		
* Title I-Carryover	84.010		12,560		12,560	12,560	
Title II-Part A, Teacher & Principal Training	84.367		29,579		27,866	27,866	
Special Education, Flowthrough, P.L. 105-17	84.027		146,332		114,730	114,730	
Special Education, Flowthrough 2010-11 - Note 1	84.027			(83,281)	83,281		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		9,275		9,275	9,275	
Title IV-Part B, 21st Century 2010-11 - Note 1	84.287		30,057		72,054	21,880	
Title X-Part C, Homeless Education	84.196			(7,039)	21,880		
Title X-Part C, Homeless Education 2010-11 - Note 1	84.196				7,039		
Education Jobs Fund	84.410		107,487		107,487	107,487	
Subtotal			<u>\$ 551,192</u>	<u>(189,558)</u>	<u>691,627</u>	<u>502,069</u>	-
<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				15,015	15,015	
Non-Cash Assistance Subtotal					<u>15,015</u>	<u>15,015</u>	
Cash Assistance:							
National School Lunch Program	10.555				182,076	182,076	
School Breakfast Program	10.553				109,939	109,939	
Summer Food Program	10.559					3,348	(3,348)
Cash Assistance Subtotal					<u>292,015</u>	<u>295,363</u>	<u>(3,348)</u>
Total For Program (Cluster)					<u>307,030</u>	<u>310,378</u>	<u>(3,348)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	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
Other Federal Assistance:						
Johnson O'Malley	15.130	\$ 13,595	(13,586)	13,586	13,595	(13,595)
Johnson O'Malley 2010-11 - Note 1	15.130	691		691	691	
Flood Control	12.112	44,312		44,312	44,312	
OJT	84.126	58,598	(13,586)	58,589	58,598	(13,595)
Subtotal		\$ 760,908	(203,144)	1,208,364	1,022,163	(16,943)
Total Federal Assistance						

* 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 \$15,015 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-17, PITTSBURG 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>
RLI Surety	Minutes Clerk	DRS1076097	\$5,000	12/12/11-12/12/12
	Activity Fund Custodian	LSM0164090	\$100,000	12/1/11-12/1/12
	Encumbrance Clerk	DRS1076044	\$100,000	7/1/11-7/1/12
	Superintendent	LSM0164089	\$100,000	12/1/11-12/1/12
EMC Insurance	Treasurer	S356911	\$100,000	12/12/11-12/12/12



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
Quinton School District No. I-017
Quinton, Oklahoma 74561-0670

I have audited the regulatory basis financial statements of Quinton School District No. I-017, Quinton, 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.

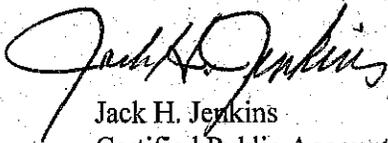
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 one (1) instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs. I also reported this matter to the District's management in a separate letter dated March 4, 2013.

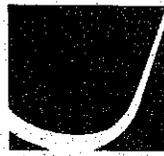
The District's response to the findings identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

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
Quinton School District No. I-017
Quinton, Oklahoma 74561-0670

Compliance

I have audited the compliance of Quinton School District No. I-017, Quinton, 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, Quinton School District No. I-017, Quinton, 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 Quinton School District No. I-017, Quinton, 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-17, PITTSBURG 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, an immaterial instance of noncompliance was referred to and is listed on page 42 .
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I programs and Child Nutrition programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2011 TO JUNE 30, 2012**

Findings – Financial Statement Audit

12-01 – Outstanding Warrants

Condition: The outstanding warrants list at June 30, 2012 included a substantial amount of outstanding payments to the Teacher's Retirement System in fiscal year 2010-11 and 2011-12 in the amounts of \$61,737 and \$134,636 respectively. The warrants from 2010-11 had to be resubmitted to the Teacher's Retirement System on December 7, 2012 and cleared soon after. It is unclear if any of the \$134,636 from 2011-12 will need to be resubmitted. Payroll and payroll related expenditures normally clear within a month of issuance since they are usually sent out when payroll is issued.

Criteria: The outstanding warrants list should be monitored on a monthly basis and any warrants, such as the type above, that appear to be outstanding for an unreasonable amount of time should be investigated.

Effect: The District could be charged penalties and interest for late payment of obligations.

Recommendation: That the outstanding warrants list be monitored monthly for any payroll related obligations that remain outstanding for an unreasonable amount of time.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2011 TO JUNE 30, 2012**

None.

**INDEPENDENT SCHOOL DISTRICT NO. I-17, PITTSBURG 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 Quinton School District for the audit year 2011-12.

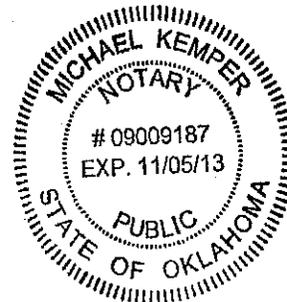
Jack H. Jenkins, CPA, P.C.

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



03-12-'13 12:23 FROM-Jack H. Jenkins, CPA 9183664443

T-569 P0002/0002 F-279

**INDEPENDENT SCHOOL DISTRICT NO. 1-17, PITTSBURG COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2011 TO JUNE 30, 2012**

The annual independent audit for Qinton 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."

Don Cox
Superintendent of Schools

3-11-13
Date of Board Meeting

[Signature]
Board of Education President

[Signature]
Board of Education Clerk

[Signature]
Board of Education Vice President

[Signature]
Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this 11th day of March, 2013.
My commission expires on 5th day of November, 2013.

[Signature]
Notary Public

Affix Notary Seal





Jack H. Jenkins, CPA *A Professional Corporation*

March 4, 2013

Quinton Public Schools
Attn: Mr. Don Cox
PO Box 670
Quinton, OK 74561-0670

Dear Mr. Cox:

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 is an immaterial instance of noncompliance with laws and regulations and which is included in the audit report. This comment requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

12-01 – Outstanding Warrants

Condition: The outstanding warrants list at June 30, 2012 included a substantial amount of outstanding payments to the Teacher's Retirement System in fiscal year 2010-11 and 2011-12 in the amounts of \$61,737 and \$134,636 respectively. The warrants from 2010-11 had to be resubmitted to the Teacher's Retirement System on December 7, 2012 and cleared soon after. It is unclear if any of the \$134,636 from 2011-12 will need to be resubmitted. Payroll and payroll related expenditures normally clear within a month of issuance since they are usually sent out when payroll is issued.

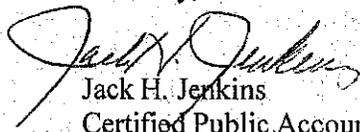
Criteria: The outstanding warrants list should be monitored on a monthly basis and any warrants, such as the type above, that appear to be outstanding for an unreasonable amount of time should be investigated.

Effect: The District could be charged penalties and interest for late payment of obligations.

Recommendation: That the outstanding warrants list be monitored monthly for any payroll related obligations that remain outstanding for an unreasonable amount of time.

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

Sincerely,

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

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

Quinton High School



Office of the Superintendent

Quinton Public Schools
210 N. J Street
P.O. Box 670
Quinton, OK 74561

Don Cox
Superintendent
Facsimile: (918) 469-2310
Telephone: (918) 469-3100

March 26, 2013

Oklahoma State Department of Education
Re: Plan of Action for Audit Findings

A finding was identified in our 2011-2012 audit by Jack H. Jenkins, CPA.

- I. Teachers Retirement-Outstanding Warrants
- Action Plan: The outstanding warrants will be monitored on a monthly basis by the Treasurer, Encumbrance Clerk and Superintendent.

All outstanding Teachers' Retirement warrants have been cleared with no penalties are interest charged to the school district.

Sincerely,

A handwritten signature in cursive script that reads "Don Cox".

Don Cox, Superintendent