

**FINANCIAL STATEMENTS - REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITORS'**

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001,  
Seminole County, Oklahoma**

**JUNE 30, 2012**

**Audited by**

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.  
SHAWNEE, OK**

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2012**

BOARD OF EDUCATION

President	Jeff Pritchard
Vice-President	Sam McElvany
Clerk	Dr. Bob Gragg
Member	Jon Dotson
Member	Bobbette Hamilton
Member	William Harrison, Jr.
Member	Ty Harman
Member	Jim Mathews
Member	Joe Sharber
Member	Gil Turpin

MINUTES CLERK

Diane Parris

SCHOOL DISTRICT TREASURER

Keith Claybrook

ADMINISTRATOR

Dr. Audie Woodard

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

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JUNE 30, 2012**

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# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Board of Education  
Interlocal Cooperative School District Number K-001  
Seminole County, Oklahoma

We have audited the accompanying fund type financial statements, including budget and actual, of the Interlocal Cooperative School District Number K-001, Seminole County, Oklahoma (District), as of and for the year ended June 30, 2012, which collectively comprise the District's combined financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years, and related depreciation, and thus does not know the amount that should be recorded in fixed assets. Therefore, the fixed assets have not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the effects of the matter discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Interlocal Cooperative School District Number K-001, Seminole County, Oklahoma as of June 30, 2012, or the changes in its financial position for the year then ended.

## Independent Auditors' Report

In our opinion, except for the omission of the fixed assets which result in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and cash fund balance of the Interlocal Cooperative School District Number K-001, Seminole County, Oklahoma, as of June 30, 2012, the revenues it received and expenditures it paid and encumbered, and the respective budgetary comparisons, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis in the format 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, nor was a separate report issued for federal financial assistance, since the required threshold for \$500,000 or more in federal expenditures was not reached. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Wilson, Dotson & Associates*

Wilson, Dotson & Associates, PLLC  
Shawnee, Oklahoma

April 1, 2013

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**COMBINED STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCE -  
GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
JUNE 30, 2012**

	<u>GOVERNMENTAL FUND TYPES</u> <u>SPECIAL REVENUE FUND</u> <u>CO-OP FUND</u>
<u>ASSETS</u>	
Cash	\$ <u>108,572</u>
 <u>LIABILITIES AND CASH FUND BALANCE</u>	
Liabilities	
Warrants payable	\$ 309
Encumbrances	<u>447</u>
Total liabilities	<u>756</u>
 Cash Fund Balance	
Restricted	<u>107,816</u>
 Total Liabilities and Cash Fund Balance	 \$ <u>108,572</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
IN CASH FUND BALANCE - GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

	GOVERNMENTAL FUND TYPES
	SPECIAL REVENUE FUND
	CO-OP FUND
Revenues collected:	
Local sources	\$ 660
Federal sources	383,953
Total revenues	384,613
Expenditures:	
Instruction	23,688
Support services	327,696
Total expenditures	351,384
Excess of revenues collected over (under) expenditures	33,229
Cash fund balance, beginning of year	74,587
Cash fund balance, end of year	\$ 107,816

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
CHANGES IN CASH FUND BALANCE - BUDGET AND ACTUAL -  
BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUND		
	CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:			
Local sources	\$ -	-	660
Federal sources	<u>503,044</u>	<u>495,311</u>	<u>383,953</u>
Total revenues	<u>503,044</u>	<u>495,311</u>	<u>384,613</u>
Expenditures:			
Instruction	89,061	70,061	23,688
Support services	471,000	485,000	327,696
Other outlays	<u>17,570</u>	<u>14,837</u>	<u>-</u>
Total expenditures	<u>577,631</u>	<u>569,898</u>	<u>351,384</u>
Excess of revenues collected over (under) expenditures	(74,587)	(74,587)	33,229
Cash fund balance, beginning of year	<u>74,587</u>	<u>74,587</u>	<u>74,587</u>
Cash fund balance, end of year	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>107,816</u></u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Interlocal Cooperative School District Number K-001, Seminole County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements. The District has adopted the Governmental Accounting Standards Board (GASB) 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefines the fund balance classifications from the previous two (2) into a possible five (5) classifications.

**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 comprised of eleven (11) school districts who have entered into an interlocal cooperative agreement for the purpose of performing services, duties, functions, activities, obligations or responsibilities as determined by the boards of education for the benefit of the students. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education (Board) which is composed of appointed members. The Board appoints the administrative officer.

The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to this entity. The Board receives funding from local, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Measurement Focus**

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

The District has the following fund type:

**Governmental funds** – are used to account for the District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue fund operated by the District is the Co-op Fund. This is a budgeted fund and any fund balances are considered as resources available for use.

Coop fund – The coop 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.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**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* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.

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

**D. Assets, Liabilities, Cash Fund Balances, Revenue and Expenditures**

**1. Deposits and Investments**

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

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Cash Fund Balances, Revenue and Expenditures – cont'd**

**2. Fair Value of Financial Instruments**

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

**3. Estimates**

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Interfund Transactions**

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

**5. Inventories**

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

**6. Fixed Assets**

The regulatory basis of accounting prescribed by the Oklahoma State Board of Education requires the presentation of fixed assets. The District has not maintained a record of its fixed assets, and, accordingly, a statement of fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Cash Fund Balances, Revenue and Expenditures – cont'd**

**7. Compensated Absences**

The District did not have any employees during the current fiscal year.

**8. Long-term Obligations**

The District did not have any long-term debt during the current fiscal year.

**9. Cash Fund Balance Classifications**

Restricted Cash Fund Balance – Cash fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Unassigned Cash Fund Balance – Unassigned cash fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**10. Local Revenues**

Revenue from local sources include tuition, fees, rentals, disposals, commissions and reimbursements.

**11. State Revenues**

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

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**E. Assets, Liabilities, Cash Fund Balances, Revenue and Expenditures – cont'd**

**12. Federal Revenues**

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

The District is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

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

**3. DETAILED NOTES CONCERNING THE FUNDS**

**Deposits and Investments**

*Custodial Credit Risk*

Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont'd**

**Deposits and Investments – cont'd**

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2012 the District held deposits of approximately \$108,572 at financial institutions. The District's cash deposits, including interest-bearing accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. Therefore, the District was not exposed to custodial credit risk as defined above.

*Investment Credit Risk*

The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001**  
**Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont'd**

**Deposits and Investments – cont'd**

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The District had no investment credit risk as of June 30, 2012, as defined above.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District had no investment interest rate risk as defined above.

*Concentration of Investment Credit Risk*

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2012, the District had no concentration of credit risk as defined above.

**4. OTHER INFORMATION**

**A. Contingent Liabilities**

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

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2012**

**4. OTHER INFORMATION – cont'd**

**B. Budget Amendments**

The 2011-12 Estimate of Needs was amended by two supplemental appropriations, detailed as follows:

Fund	Supplemental Appropriations	Original Appropriations	Final Appropriations
Co-op	<u>\$ (7,733)</u>	<u>577,631</u>	<u>569,898</u>

These amendments were approved by the Seminole County Clerk.

**C. Surety Bonds**

The treasurer is bonded by the Old Republic Surety Co., bond number W150026019 for the penal sum of \$100,000, term beginning July 1, 2011 and ending July 1, 2012. This is a renewal of a continuous bond.

The encumbrance/minute clerk is bonded by the Old Republic Surety Co., bond number W150062041 for the penal sum of \$2,000, term beginning June 9, 2012 and ending June 9, 2013. This is a renewal of a continuous bond.

The administrator is bonded by the Old Republic Surety Co., bond number W150025844, for the penal sum of \$100,000, term beginning July 1, 2011 and ending July 1, 2012. This is a renewal of a continuous bond.

**D. Subsequent Events**

Subsequent events have been evaluated through April 1, 2013, which is the date the financial statements were available to be issued.

Effective July 1, 2013, Seminole School District will no longer be a member of the Co-op.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass Through Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2012</u>
<u>U.S. Department of Education:</u>							
<u>Passed Through State Department of Education:</u>							
IDEA-B Flow Through	84.027	H027A110051	\$ 410,000	-	312,639	312,639	97,361
IDEA-B Flow Through 2010-11 - Note	84.027	H027A100051	-	-	27,446	-	-
IDEA-B Preschool	84.173	H173A110084	46,905	-	32,908	32,908	13,997
IDEA-B Preschool 2010-11 - Note	84.173	H173A100084	-	-	10,960	-	-
<b>Total Expenditures of Federal Awards</b>			<u>\$ 456,905</u>	<u>-</u>	<u>383,953</u>	<u>345,547</u>	<u>111,358</u>

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

# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

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

The Honorable Board of Education  
Interlocal Cooperative School District Number K-001  
Seminole County, Oklahoma

We have audited the fund type financial statements, including budget and actual, of the Interlocal Cooperative School District Number K-001, Seminole County, Oklahoma (District), as of and for the year ended June 30, 2012, which collectively comprise the District's combined financial statements, and have issued our report thereon dated April 1, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting practices prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Wilson, Dotson & Associates*

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma  
April 1, 2013

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**FINDINGS RELATED TO FINANCIAL REPORTING  
FOR THE YEAR ENDED JUNE 30, 2012**

There were no findings or questioned costs related to financial reporting.

**INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

There were no prior year findings or questioned costs related to financial reporting.

INTERLOCAL COOPERATIVE SCHOOL DISTRICT NO. K-001  
Seminole County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
FOR THE YEAR ENDING JUNE 30, 2012

State of Oklahoma        )  
                                  )ss  
County of Pottawatomie )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' 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 Seminole County Interlocal Cooperative School for the audit year 2011-12.

Wilson, Dotson & Associates, P.L.L.C.  
Auditing Firm

*Pamela R. Dotson*

by \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me this 1<sup>st</sup> day of April, 2013.

*Lisa Cook*

\_\_\_\_\_  
Notary Public or CLERK or JUDGE  
Commission No. 11002236  
Expiration date March 10, 2015

