

**WAGONER INDEPENDENT SCHOOL DISTRICT NO. I-19,
WAGONER COUNTY, OKLAHOMA**

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

JUNE 30, 2012

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012

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INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
JUNE 30, 2012

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JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Wagoner School District No. I-19
Wagoner, Oklahoma

We have audited the accompanying fund type and account group financial statements of Wagoner School District No. I-19 (the District), Wagoner County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2012, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed 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 of the District as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 9, 2012

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

The Honorable Board of Education
Wagoner School District No. I-19
Wagoner, Oklahoma

We have audited the combined financial statements – regulatory basis of Wagoner School District (the District) No. I-19, Wagoner, Oklahoma, as of and for the year ended June 30, 2012, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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 and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 9, 2012

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

The Honorable Board of Education
Wagoner School District No. I-19
Wagoner, Oklahoma

Compliance

We have audited Wagoner School District (the District) No. I-19, Wagoner, Oklahoma's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's 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. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 9, 2012

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2012

Misappropriation of District Funds – Falsified Invoices

The exception of a Wagoner Public School District employee submitting false invoices to the school district in order to obtain reimbursement was corrected in the current fiscal year. This case was sent to law enforcement, and is currently scheduled for trial in the near future. Also, the District has hired a new encumbrance clerk, and reinforced policies that no employee can be personally reimbursed for equipment purchases on a regular basis.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section 1 – Summary of Auditor’s Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed a significant deficiency in the internal controls item 11-1, which was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are considered material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are: Title I Programs (84.010, 84.389), IDEA-B Special Education Programs (84.027, 84.173, 84.391, 84.392) and the Child Nutrition Programs (10.553, 10.555, 10.559), which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

None

Section 3 – Findings and questioned costs for federal awards:

None

**INDEPENDENT SCHOOL DISTRICT NO. 1-19, WAGONER COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2012**

ASSETS	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	(Memorandum Only)	
							2012	2011
Cash	\$ 2,670,329	666,969	108,706	54,176	208,289		3,708,469	4,746,609
Amounts available in debt service						36,940	36,940	73,880
Amounts to be provided for retirement of general long-term debt						3,342,125	3,342,125	6,684,250
Total Assets	<u>\$ 2,670,329</u>	<u>666,969</u>	<u>108,706</u>	<u>54,176</u>	<u>208,289</u>	<u>3,379,065</u>	<u>7,087,534</u>	<u>11,504,739</u>
 LIABILITIES AND FUND EQUITY								
Liabilities:								
Warrants payable	\$ 1,237,736	62,923		54,176			1,354,835	1,471,934
Encumbrances	86,266						86,266	86,266
Funds held for school organizations					208,289		208,289	416,578
Unmatured obligations			71,766				71,766	143,532
Long-term debt:								
Bonds payable						3,365,000	3,365,000	6,730,000
Capital leases						14,065	14,065	28,130
Total liabilities	<u>1,324,002</u>	<u>62,923</u>	<u>71,766</u>	<u>54,176</u>	<u>208,289</u>	<u>3,379,065</u>	<u>5,100,221</u>	<u>8,876,440</u>
Fund Equity:								
Cash fund balances	<u>1,346,327</u>	<u>604,046</u>	<u>36,940</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,987,313</u>	<u>1,883,003</u>
Total Liabilities and Fund Equity	<u>\$ 2,670,329</u>	<u>666,969</u>	<u>108,706</u>	<u>54,176</u>	<u>208,289</u>	<u>3,379,065</u>	<u>7,087,534</u>	<u>11,504,739</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	2012	2011
Revenues						
Local sources	\$ 2,528,863	310,253	931,963		3,771,079	5,013,295
Intermediate sources	391,418				391,418	391,418
State sources	11,371,872				11,371,872	11,371,872
Federal sources	3,064,949	31,374			3,096,323	3,127,697
Non-revenue receipts	10,996				10,996	10,996
Total revenues	<u>17,368,098</u>	<u>341,627</u>	<u>931,963</u>	<u>0</u>	<u>18,641,688</u>	<u>19,915,278</u>
Expenditures						
Instruction	10,124,138	2,210			10,126,348	10,128,558
Support services	5,872,031	284,376		90,576	6,246,983	6,621,935
Operation of non-instructional services	1,261,106				1,261,106	1,261,106
Facilities, acquisition and const. services				3,114,071	3,114,071	6,228,142
Other outlays	19,526				19,526	19,526
Debt service			932,193		932,193	1,864,386
Total expenditures	<u>17,276,801</u>	<u>286,586</u>	<u>932,193</u>	<u>3,204,647</u>	<u>21,700,227</u>	<u>26,123,653</u>
Revenues over (under) expenditures	91,297	55,041	(230)	(3,204,647)	(3,058,539)	(6,208,375)
Other financing sources (uses)						
Lapsed appropriations	46,987				46,987	46,987
Estopped warrants	862				862	862
Bond proceeds				3,115,000	3,115,000	6,230,000
Total other financing sources (uses)	<u>47,849</u>	<u>0</u>	<u>0</u>	<u>3,115,000</u>	<u>3,162,849</u>	<u>6,277,849</u>
Revenue and other sources over (under) expenditures and other uses	139,146	55,041	(230)	(89,647)	104,310	69,474
Cash fund balance, beginning of year	<u>1,207,181</u>	<u>549,005</u>	<u>37,170</u>	<u>89,647</u>	<u>1,202,425</u>	<u>1,132,951</u>
Cash fund balance, end of year	<u>\$ 1,346,327</u>	<u>604,046</u>	<u>36,940</u>	<u>0</u>	<u>1,987,313</u>	<u>1,202,425</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 2,118,929	2,118,929	2,528,863
Intermediate sources	358,237	358,237	391,418
State sources	11,029,682	11,029,682	11,371,872
Federal sources	2,985,971	2,985,971	3,064,949
Non-revenue receipts			10,996
Total revenues	<u>16,492,819</u>	<u>16,492,819</u>	<u>17,368,098</u>
Expenditures:			
Instruction	11,770,732	11,770,732	10,124,138
Support services	4,778,023	4,778,023	5,872,031
Operation of non-instructional services	1,030,592	1,030,592	1,261,106
Other outlays	<u>120,653</u>	<u>120,653</u>	<u>19,526</u>
Total expenditures	<u>17,700,000</u>	<u>17,700,000</u>	<u>17,276,801</u>
Revenues over (under) expenditures	(1,207,181)	(1,207,181)	91,297
Other financing sources (uses):			
Lapsed appropriations			46,987
Estopped warrants			862
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>47,849</u>
Revenue and other sources over (under) expenditures and other uses	(1,207,181)	(1,207,181)	139,146
Cash fund balance, beginning of year	<u>1,207,181</u>	<u>1,207,181</u>	<u>1,207,181</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>1,346,327</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 272,805	272,805	310,253
Federal sources	71,659	71,659	31,374
Total revenues	344,464	344,464	341,627
Expenditures:			
Instruction			2,210
Support services	893,469	893,469	284,376
Total expenditures	893,469	893,469	286,586
Revenues over (under) expenditures	(549,005)	(549,005)	55,041
Cash fund balance, beginning of year	549,005	549,005	549,005
Cash fund balance, end of year	\$ 0	0	604,046

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 894,224	894,224	929,572
Interest earnings			2,391
Total revenues	<u>894,224</u>	<u>894,224</u>	<u>931,963</u>
Expenditures:			
Other outlays -			
Debt service	<u>931,394</u>	<u>931,394</u>	<u>932,193</u>
Revenues over (under) expenditures	(37,170)	(37,170)	(230)
Cash fund balance, beginning of year	<u>37,170</u>	<u>37,170</u>	<u>37,170</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>36,940</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

The basic financial statements of the Wagoner Public Schools Independent District No. I-19 (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-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

B. Fund Accounting - contd.

services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District maintained this fund during the 2011-12 fiscal year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The District did not maintain this fund during the 2011-12 fiscal year, because it operated the child nutrition program through the general fund.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

B. Fund Accounting - contd.

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

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

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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

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

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

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

Account Group

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

B. *Fund Accounting* - contd.

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

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

Memorandum Only - Total Column

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

C. *Basis of Accounting and Presentation*

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

C. Basis of Accounting and Presentation – contd.

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

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

D. Budgets and Budgetary Accounting

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

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

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

E. Assets, Liabilities and Fund Equity

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

E. Assets, Liabilities and Fund Equity – contd.

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

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

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.

Un-matured Obligations - The un-matured 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.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

E. Assets, Liabilities and Fund Equity- contd.

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 un-matured obligations.

Reserved Cash Fund Balance – Reserved cash fund balance represents the amount of cash held in the Oklahoma Public School Unemployment Compensation Account. The reservation of these monies are shown to demonstrate the current unavailability of the assets to pay current expenditures.

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

F. Revenue and Expenditures- contd.

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.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies-** cont'd

F. Revenue and Expenditures - contd.

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.

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

1. **Summary of Significant Accounting Policies- cont'd**

F. Revenue and Expenditures - contd.

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

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

2. **Deposits and Investments**

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.

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 capital leases. 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-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

3. **General Long-term Debt – cont'd**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012:

	Bonds <u>Payable</u>	Capital <u>Leases</u>	<u>Totals</u>
Balance, July 1, 2011	\$ 1,110,000	18,870	1,128,870
Additions	3,115,000	0	3,115,000
Retirements	<u>(860,000)</u>	<u>(4,805)</u>	<u>(864,805)</u>
Balance, June 30, 2012	\$ <u>3,365,000</u>	<u>14,065</u>	<u>3,379,065</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 \$250,000, interest rates of 1.40-2.20%, initial payment of \$70,000, due Aug. 1, 2012, final installment of \$90,000 due Aug. 1, 2014;	\$ 860,000
Building Bonds, Series 2011, original issue \$3,115,000, interest rate of 1.00-1.75%, initial payment of \$655,000, due July 1, 2013, final installment of \$820,000 due July 1, 2016;	3,115,000
<u>Capital Leases:</u>	
Lease purchase for ice cream machine, dated December 15, 2010, totaling \$21,117, interest rate of 6.60%, due in monthly principal and interest installments of \$525, beginning on January 15, 2011, final payment due December 15, 2014;	<u>14,065</u>
Total	\$ <u>3,379,065</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

3. **General Long-term Debt** – cont'd

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 70,000	46,368	116,368
2014	745,000	46,947	791,947
2015	910,000	36,150	946,150
2016	820,000	26,600	846,600
2017	<u>820,000</u>	<u>14,300</u>	<u>834,300</u>
Totals	\$ <u>3,365,000</u>	<u>170,365</u>	<u>3,535,365</u>

There was \$20,845 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 <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,253	1,047	6,300
2014	5,743	557	6,300
2015	<u>3,069</u>	<u>81</u>	<u>3,150</u>
Totals	\$ <u>14,065</u>	<u>1,685</u>	<u>15,750</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. 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% during the current fiscal 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 was \$1,539,461.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER 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.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>TOTALS</u> (Memorandum Only)	
			<u>2012</u>	<u>2011</u>
Cash	<u>\$ 666,581</u>	<u>387</u>	<u>666,968</u>	<u>579,529</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	62,713	210	62,923	30,524
Fund Equity:				
Cash fund balances	<u>603,868</u>	<u>177</u>	<u>604,045</u>	<u>549,005</u>
Total Liabilities and Fund Equity	<u>\$ 666,581</u>	<u>387</u>	<u>666,968</u>	<u>579,529</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUILDING FUND	CO-OP FUND	TOTALS (Memorandum Only)	
			2012	2011
Revenues:				
Local sources	\$ 297,253	13,000	310,253	290,172
Federal sources		31,374	31,374	41,725
Total revenues	<u>297,253</u>	<u>44,374</u>	<u>341,627</u>	<u>331,897</u>
Expenditures:				
Instruction		2,210	2,210	
Support services	272,663	11,713	284,376	78,807
Facilities, Acquisitions and Construction				18,700
Total expenditures	<u>272,663</u>	<u>13,923</u>	<u>286,586</u>	<u>97,507</u>
Revenues over (under) expenditures	24,590	30,451	55,041	234,390
Cash fund balance, beginning of year	<u>579,278</u>	<u>(30,274)</u>	<u>549,005</u>	<u>314,615</u>
Cash fund balance, end of year	<u>\$ 603,868</u>	<u>177</u>	<u>604,045</u>	<u>549,005</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUILDING FUND</u>			<u>COOP FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:						
Local sources	\$ 272,805	272,805	297,253	\$		13,000
Federal sources				71,659	71,659	31,374
Total revenues	<u>272,805</u>	<u>272,805</u>	<u>297,253</u>	<u>71,659</u>	<u>71,659</u>	<u>44,374</u>
Expenditures:						
Instruction						2,210
Support services	<u>852,083</u>	<u>852,083</u>	<u>272,663</u>	<u>41,385</u>	<u>41,385</u>	<u>11,713</u>
Total expenditures	<u>852,083</u>	<u>852,083</u>	<u>272,663</u>	<u>41,385</u>	<u>41,385</u>	<u>13,923</u>
Revenues over (under) expenditures	(579,278)	(579,278)	24,590	30,274	30,274	30,451
Cash fund balance, beginning of year	<u>579,278</u>	<u>579,278</u>	<u>579,278</u>	<u>(30,274)</u>	<u>(30,274)</u>	<u>(30,274)</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>603,868</u>	<u>\$ 0</u>	<u>0</u>	<u>177</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-19, WAGONER COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	TOTALS (Memorandum Only)	
			2012	2011
<u>ASSETS</u>				
Cash	<u>16,642</u>	<u>37,534</u>	<u>54,176</u>	<u>148,826</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	<u>16,642</u>	<u>37,534</u>	<u>54,176</u>	<u>59,179</u>
Fund equity:				
Cash fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,647</u>
Total Liabilities and Fund Equity	<u>16,642</u>	<u>37,534</u>	<u>54,176</u>	<u>148,826</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	2002 BUILDING BOND FUND	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	2011 BUILDING BOND FUND	TOTALS (Memorandum Only)	
					2012	2011
Revenue:						
Local sources	\$ 0	0	0	0	0	534
Expenditures:						
Instructional						177,908
Support Services		16,642	37,534	36,400	90,576	212,267
Facilities, acquisition & const. services	6,068	29,403		3,078,600	3,114,071	2,371
Total expenditures	6,068	46,045	37,534	3,115,000	3,204,647	392,546
Revenues over (under) expenditures	(6,068)	(46,045)	(37,534)	(3,115,000)	(3,204,647)	(392,012)
Other financing sources (uses):						
Bond sales proceeds	0	0	0	3,115,000	3,115,000	250,000
Revenue and other sources over (under) expenditures and other uses	(6,068)	(46,045)	(37,534)	0	(89,647)	(142,012)
Cash fund balance, beginning of year	6,068	46,045	37,534	0	89,647	231,659
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,647</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2012

	<div> <div>AGENCY</div> <div>FUNDS</div> </div>	
	<div> <div>ACTIVITY</div> <div>FUNDS</div> </div>	
	2012	2011
<u>ASSETS</u>		
Cash	\$ 208,289	152,161
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Funds held for school organizations	\$ 208,289	152,161

INDEPENDENT SCHOOL DISTRICT NO. 1-19, WAGONER COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Teague Elementary Library	\$ 2,026	6,127		4,708	3,445
Teague Elementary Fund Raiser	15,346	3,764		15,080	4,030
Teague Elementary Picture Account	4,887	7,705		3,650	8,942
Lincoln Teacher Supplies	1,145	1,813		2,581	377
Lincoln Student Activities	456	1,457		1,029	884
Lincoln Picture Account	4,703	2,300		1,970	5,033
Lincoln Playground Fund	1,266	0	(1,266)	0	0
Ellington Student Account	824	3,076		2,914	986
Ellington Library	1,378	7,747		8,948	177
Ellington Lost Book Account	92	20		10	102
Ellington Pictures	5,526	3,526		1,060	7,992
Ellington T-Shirts/Jackets	777	290		554	513
Ellington Teacher Supplies	10,484	33,206	47	27,995	15,742
Ellington SBSW	185	0		0	185
Ellington Vendor	459	854		941	372
Ellington Playground Fund	109	0		0	109
Ellington PTA	23	13,841	(47)	4,361	9,456
Central Vendors	87	0		0	87
Sunshine Account	0	1,381		1,155	226
Central Library Excelled Readers	1,622	6,242		6,333	1,531
Central Pictures	5,085	36,094		29,114	12,065
Central Student Council	708	597		312	993
Central Locker	1,803	1,548		2,199	1,152
Central PTO	7,051	5,492		6,383	6,160
Central Science Projects	1,333	2,286		2,004	1,615
Gifted & Talented	1,262	3,874		3,467	1,669
Admin Interest	704	74		296	482
Admin Pop Account	91	769		189	671
Teacher Appreciation	519	10,360		5,104	5,775
Middle School Lost Books	341	91		0	432
Alternative School	1,017	1,154		716	1,455
Ellington Sunshine Fund	23	325		316	32
Cherokee Nation Livestock	0	1,900		1,900	0
Lincoln Library Account	2,267	2,343		2,539	2,071
Lincoln PTO	4,358	2,897	1,266	5,840	2,681
Performing Arts Center	1,727	500		705	1,522
HS Class of 2006	3,520	4,540		4,467	3,593
HS Tech Ed	629	0		225	404
Sophomore Class	412	0	(412)	0	0
WHS Chain Reaction	613	0		0	613
Bus Barn Pop Account	219	265		109	375
Middle School Student Account	2,120	4,850		6,929	41
Middle School Computer	298	985		528	755
Middle School Drama	1,022	2,632		2,626	1,028
Middle School Yearbook	3,679	6,180		9,207	652
Middle School TSA	9	1,076		749	336
Middle School Lockers	3,677	6,937	(4,269)	6,345	0
Middle School Library	146	61		145	62
Middle School Cheerleaders	2,774	14,951		16,894	831
Middle School Pictures	552	0		552	0
Middle School Science	244	30		0	274
Middle School Student Council	106	3,089		2,644	551
Middle School PTO	1,033	0	(683)	350	0
Middle School Vendors	518	3,703	5,173	8,354	1,040
Middle School Teacher	219	290	(220)	289	0
HS Vocal Music	419	11,266		9,325	2,360
HS Vendor Account	1,954	17,523	2,658	17,048	5,087
HS Annual	11,971	10,682		11,248	11,405
HS Band	1,215	83,198	2,815	79,149	8,079

INDEPENDENT SCHOOL DISTRICT NO. 1-19, WAGONER COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Activities	Balance July 1, 2011	Additions	Net Transfers	Deletions	Balance June 30, 2012
HS National Honor Society	245	207		329	123
HS Summer School	0	7,600		3,130	4,470
HS Academic Team	0	1,033		503	530
American Sign Language	1,587	88		65	1,610
HS Cheerleaders	3,060	12,394		15,400	54
HS MU Alpha Theta	89	4,731		3,502	1,318
HS Wet Land Project	0	7		0	7
SWAT	69	1,093	(600)	93	469
HS Bus & Tech (FBLA)	282	2,406	(35)	1,332	1,321
HS FFA	4,090	40,413		37,684	6,819
HS FHA	31	5,378	(65)	5,180	164
HS Lost Books	0	425		72	353
HS Media Center	765	417		539	643
HS Science Club	217	996		595	618
HS Speech & Drama	975	10,105		8,042	3,038
HS Student Council	308	4,308		4,092	524
HS Windtalkers	383	0		65	318
HS Class of 2004	1,247	1,920	412	1,650	1,929
HS PSI	273	0		126	147
HS Locks	2,048	946	(1,454)	1,540	0
HS Teachers	47	0	(47)	0	0
HS Pictures	532	0	(492)	40	0
HS Grad Night	1,511	25,668		24,970	2,209
HS TMH Special Olympics	995	2,249	35	2,878	401
HS Band Booster Club	9,062	23,821	(2,815)	22,229	7,839
Athletic Baseball Fundraiser	452	1,295		883	864
Athletics	172	180,288	1,986	152,237	30,209
Athletic Concession Stand	464	40,721		41,497	(312)
Volleyball	5	5,379		4,310	1,074
Athletic Jackets	99	10,958		10,934	123
Athletic Vendor Account	165	160		149	176
Athletic Softball Fundraiser	311	785		677	419
Athletic Shoes/Warmups	115	195		294	16
Soccer Fund	57	10,343		9,193	1,207
Wrestling	238	6,950		6,980	208
Allsport Booster Club	671	0		613	58
Girls Tennis	186	1,939		2,044	81
Girls Golf	4	2,793		2,437	360
Boys Basketball	352	605		805	152
Drug Testing	119	10,662	(1,987)	8,794	0
Football Fundraiser	2,993	50,013		51,453	1,553
Girls Basketball	68	260		30	298
Boys Golf	487	0		480	7
Boys & Girls Track	353	2,995		2,906	442
TOTAL ASSETS - AGENCY FUNDS	\$ 152,160	808,457	0	752,328	208,289
LIABILITIES AND FUND EQUITY					
Funds held for					
school organizations	\$ 152,161	808,457	0	752,328	208,289

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012	Agrees W/ Budget	Sufficient Expenditures
<u>U.S. Department of Education</u>									
<u>Direct Programs:</u>									
Title VII-Part A, Indian Education	84.060	S060A110848	\$ 225,415		193,126	216,611	23,485	x	561
Title VII-Part A, Indian Education 2010-11 - Note 1	84.060	S060A100848		36,935	36,935			n/a	799
Subtotal			<u>225,415</u>	<u>36,935</u>	<u>230,061</u>	<u>216,611</u>	<u>23,485</u>		
<u>Passed Through State Department of Education:</u>									
* Title I:									
Title I-Part A, Improving Basic Programs	84.010		788,212		539,212	702,427	163,215	x	511
Title I-Part A, Improving Basic Programs 2010-11 - Note 1	84.010			74,587	74,587			n/a	799
Title I-Part A, School Support	84.010		32,654			26,777	26,777		
ARRA Title I-Part A	84.389		74,463		74,463	74,463		x	516
ARRA Title I-Part A 2010-11 - Note 1	84.389			79,751	79,751			n/a	799
Title I - Federal Academic Achievement Awards	84.010		49,120		49,120				
* Special Education Programs:									
IDEA Part B, Discretionary	84.027		5,000			5,000	5,000	x	613
IDEA Part B, Discretionary 2010-11 - Note 1	84.027			4,959	4,959				
Project ECCO	84.027		3,868			1,811		x	615
Project ECCO 2010-11 - Note 1	84.027			1,855	1,855				
Special Education, Flowthrough, P.L. 105-17	84.027		535,208		482,208	482,208		x	621
Special Education, Flowthrough, P.L. 105-17 2010-11 - Note 1	84.027			3,722	3,722				
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		21,995		21,995	21,995		x	622
ARRA Special Education 2010-11 - Note 1	84.391			59,882	59,882			n/a	799
Special Education - Private School 2010-11 - Note 1	84.027			1,245	1,245			x	625
Special Education, Preschool	84.173		11,762		11,162	11,162		x	641
ARRA Special Education, Preschool, Ages 3-5	84.392		5,932		5,899	5,899		x	643
ARRA Special Education, Preschool, Ages 3-5 2010-11 - Note 1	84.392			147	147			n/a	799
Title II-Part D	84.318		2,470		2,470	2,470		n/a	799
Title II-Part A, Teacher & Principal Training	84.367		146,907		107,000	145,195	38,195	x	541
Title II-Part A, Teacher & Principal Training 2010-11 - Note 1	84.367			15,857	15,857			n/a	799
Title II-Part B, Mathematics and Science Partnerships	84.366		113,384			13,923		x	542
Title II-Part B, Math. and Science Partnerships 2010-11 - Note 1	84.366			31,374	31,374				
Education for Homeless Children and Youth	84.196		55,507			28,756	28,756	x	596
Education for Homeless Children and Youth 2010-11 - Note 1	84.196			19,048	19,048			n/a	799
21st Century Community Learning Centers	84.287		288,688		147,958	204,365	56,407	x	553
21st Century Community Learning Centers 2010-11 - Note 1	84.287			60,567	60,567			n/a	799
Subtotal			<u>2,135,170</u>	<u>352,994</u>	<u>1,794,481</u>	<u>1,726,451</u>	<u>318,350</u>		

Passed Through State Department of Career

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012	Agrees W/ Budget	Sufficient Expenditures
<u>and Technology Education:</u>									
Carl Perkins Grant	84.048		20,415			20,415	20,415		
Carl Perkins Grant 2010-11 - Note 1	84.048			21,897	21,897			x	421
Subtotal			<u>20,415</u>	<u>21,897</u>	<u>21,897</u>	<u>20,415</u>	<u>20,415</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				62,422	62,422		n/a	n/a
Cash Assistance:									
National School Lunch Program	10.555				703,176	703,176		x	385
School Breakfast Program	10.553				231,398	231,398		x	385
Summer Food Program	10.559				2,129	29,126	26,996	x	766
Summer Food Program 2010-11 - Note 1	10.559			33,840	33,840			n/a	799
Cash Assistance Subtotal				<u>33,840</u>	<u>970,543</u>	<u>963,700</u>	<u>26,996</u>		
Total For Program (Cluster)				<u>33,840</u>	<u>1,032,965</u>	<u>1,026,122</u>	<u>26,996</u>		
<u>Other Federal Assistance:</u>									
Johnson O'Malley	15.130		35,400		12,568	25,844	13,275	not final on 10.21	563
Johnson O'Malley 2010-11 - Note 1	15.130			28,298	28,298			n/a	799
Flood Control	12.112		1,285		1,285	1,285		not coded	771
Medicaid	93.778		20,278		20,278	20,278		not coded	698
Subtotal			<u>56,963</u>	<u>28,298</u>	<u>62,429</u>	<u>47,407</u>	<u>13,275</u>		
Total Federal Assistance			<u>2,437,963</u>	<u>473,964</u>	<u>3,141,833</u>	<u>3,037,006</u>	<u>402,521</u>		

* Major federal programs

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

Note 2 - Commodities received by the District in the amount of \$62,422 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. 1-19, WAGONER COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY 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	Treasurer	LSM0138349	\$ 100,000	07/01/11 - 07/01/12
	Blanket Bond:	FID8002889	100,000	07/29/11 - 07/29/12
	Encumbrance Clerk			
	Superintendent			
	Payroll Clerk			
	Athletic Activity Accounts Manager			
	Director of Food Nutrition			
	Public Official Bond	RSB8006577	18,000	07/30/11 - 7/30/12

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT

JULY 1, 2011 TO JUNE 30, 2012

State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, 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 Wagoner Public Schools for the audit year 2011-12.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP
Auditing Firm

By _____
Authorized Agent

Subscribed and sworn to before me
This 26th day of October, 2012

Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-16
Commission No. 00008621

November 2, 2012

Mr. Monte Thompson, Supt.
Wagoner Public Schools
P.O. Box 508
Wagoner, Oklahoma 74477

Dear Mr. Thompson:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you, and are referred to in your audit report. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

No Audit Exceptions

We would like to note the vast improvements we have seen during our last visit to perform our audit work. While we still noted some minor instances of noncompliance in some areas, we found no ‘material’ or ‘immaterial’ audit exceptions that needed to be communicated to outside agencies. You and your financial office staff are to be congratulated for such a turnaround in a small timeframe.

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,

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP