

State Auditor
& Inspector

FILED
JAN 18 2012
State Auditor & Inspector

RECEIPT #
30153

**WAGONER INDEPENDENT SCHOOL DISTRICT NO. 1-19,
WAGONER COUNTY, OKLAHOMA**

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

JUNE 30, 2011

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, 2011

BOARD OF EDUCATION

President

Kathryn Miller

Vice-President

Ben McFarland

Clerk

Marvin Morgan

Member

Brenda Barney

Member

Tresa Pitre

SUPERINTENDENT OF SCHOOLS

Sonny Bates

SCHOOL DISTRICT TREASURER

Jeff Jenkins

www.wagonerps.org

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-6
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements - Regulatory Basis – Performed in Accordance with Government Auditing Standards	7-8
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9-10
Disposition of Prior Year's Reportable Conditions and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12-14
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Equity All Fund Types and Account Groups – Regulatory Basis	15
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	16
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	17-19
Notes to Combined Financial Statements - Regulatory Basis	20-34
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Equity – All Special Revenue Funds – Regulatory Basis	35

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
JUNE 30, 2011

	<u>Page No.</u>
Combining Financial Statements – Regulatory Basis – cont'd	
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	36
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	37
Combining Statement of Assets, Liabilities and Fund Equity – All Capital Projects Funds – Regulatory Basis	38
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual - All Capital Projects Funds Types – Regulatory Basis	39
Combining Statement of Assets, Liabilities and Fund Equity – Agency Funds – Regulatory Basis	40
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	41-42
Schedule of Expenditures of Federal Awards – Regulatory Basis	43-44
Schedule of Statutory, Fidelity and Honesty Bonds	45
Schedule of Accountant's Professional Liability Insurance Affidavit	46



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

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, 2011. 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, 2011, 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, 2011, 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 December 21, 2011, 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

December 21, 2011



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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, 2011, 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 December 21, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 11-1, to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 11-1, to be a significant deficiency.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-1.

We noted certain other matters that we reported to management of the District in a separate letter dated December 21, 2011.

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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

December 21, 2011



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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, 2011. 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, 2011.

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

December 21, 2011

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2011

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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 the 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, and the State Fiscal Stabilization Funds (84.394) and Education Jobs (84.410), which were not clustered.
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:

#11-1

Misappropriation of District Funds – Falsified Invoices

Condition: Based upon the documentation furnished to our office, it appears that a Wagoner Public School District employee, Susan Spaulding, submitted false invoices to the school district in order to obtain reimbursement. This employee was in charge of purchasing equipment items for the school district’s vocational

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
 SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2011

programs. This issue appears to have started during the 2006-07 fiscal year, and increase in frequency each fiscal year.

It appears that direct reimbursement to employees for purchasing items on behalf of the school district is not the normal procedure used for purchases of equipment and other items. This employee was the only one that was consistently allowed to personally purchase equipment and receive reimbursement. The original purchase requisition and purchase orders (approved by the superintendent) were actually made to legitimate vendors. However, when submitted to the encumbrance clerk for payment, these vendors had been changed to Susan Spaulding, and an invoice from a false vendor was included as supporting documentation. Most of the false invoices were from a company called Scruggs TV and Electronics, located in Stillwell, Oklahoma. Research into this company revealed that no such vendor was located in Stillwell, and the phone number belonged to a church in Stillwell. Also, Ms. Spaulding used several apple invoices for reimbursement, and these invoices appear to have been manipulated, printed over and photocopied to look like new purchases, but were actually just fabricated invoices. None of the questioned items could be located on school district property, thus affirming that these items never actually existed.

Criteria: Internal controls should be in place to provide reasonable assurance that all District purchasing procedures are followed and that all invoices submitted for reimbursement are original, valid invoices.

Cause: Internal controls over purchasing and employee reimbursement of expenditures were inadequately designed.

Effect: Listed below are the occurrences and dollar amounts noted:

<u>Fiscal Year</u>	<u>Occurrences</u>	<u>Amount</u>
2006-07	1	\$ 948.60
2007-08	3	4,709.35
2008-09	7	11,386.00
2009-10	36	52,430.57
2010-11	39	64,472.78
Total	<u>86</u>	<u>\$ 133,947.30</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Recommendation: We recommend that the District make a determination as to the disposition of these missing funds and that appropriate law enforcement officials be notified and requested to take appropriate action regarding this apparent loss.

We further recommend that the encumbrance clerk be questioned as to her possible involvement in this issue. Since it was not normally District's policy to reimburse employees directly for purchased items, and since the vendors on all these invoices did not match up with the vendor on the approved requisitions and purchase orders, it appears this manipulation should have been caught by a reasonable person performing their assigned job function of paying legitimate school district expenditures. Given the frequency of these submissions to the encumbrance clerk, it would be nearly impossible for an encumbrance clerk not to notice these obvious changes to every requisition and purchase order submitted by this employee.

Response:

Section 3 – Findings and questioned costs for federal awards:

None

COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

**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, 2011**

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
Cash	\$ 2,953,443	579,529	58,388	148,826	152,161		3,892,347	3,999,154
Amounts available in debt service						37,170	37,170	18,632
Amounts to be provided for retirement of general long-term debt								
Total Assets	\$ 2,953,443	579,529	58,388	148,826	152,161	1,091,700	1,091,700	2,516,368
						1,128,870	5,021,217	6,534,154

LIABILITIES AND FUND EQUITY

Liabilities:								
Warrants payable	\$ 1,626,773	30,524		59,179			1,716,476	1,723,707
Encumbrances	119,489						119,489	112,119
Funds held for school organizations					152,161		152,161	157,855
Unmatured obligations			21,218				21,218	872,522
Long-term debt:								
Bonds payable						1,110,000	1,110,000	2,535,000
Capital leases						18,870	18,870	
Total liabilities	1,746,262	30,524	21,218	59,179	152,161	1,128,870	3,138,214	5,401,203
Fund Equity:								
Cash fund balances	1,207,181	549,005	37,170	89,647	0	0	1,883,003	1,132,951
Total Liabilities and Fund Equity	\$ 2,953,443	579,529	58,388	148,826	152,161	1,128,870	5,021,217	6,534,154

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

INDEPENDENT SCHOOL DISTRICT NO. 1-19, 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, 2011

	GOVERNMENTAL FUND TYPES				TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	2011	(Memorandum Only) 2010
Revenues						
Local sources	\$ 2,458,259	290,172	885,561	534	3,634,526	3,499,901
Intermediate sources	382,977				382,977	388,023
State sources	11,098,146				11,098,146	11,390,734
Federal sources	4,123,772	41,725			4,165,497	4,391,287
Non-revenue receipts	19,062				19,062	15,426
Total revenues	18,082,216	331,897	885,561	534	19,300,208	19,685,371
Expenditures						
Instruction	10,472,444			177,908	10,650,352	11,872,618
Support services	5,817,100	78,807		212,267	6,108,174	5,640,269
Operation of non-instructional services	1,200,009				1,200,009	1,251,822
Facilities, acquisition and const. services		18,700		2,371	21,071	1,439,623
Other outlays	2,318				2,318	56,426
Debt service			867,023		867,023	915,848
Repayments						234
Total expenditures	17,491,871	97,507	867,023	392,546	18,848,947	21,176,840
Revenues over (under) expenditures	590,345	234,390	18,538	(392,012)	451,261	(1,491,469)
Other financing sources (uses)						
Lapsed appropriations	47,652				47,652	147,279
Stopped warrants	1,139				1,139	1,572
Bank charges						(45)
Bond proceeds				250,000	250,000	
Total other financing sources (uses)	48,791	0	0	250,000	298,791	148,806
Revenue and other sources over (under) expenditures and other uses	639,136	234,390	18,538	(142,012)	750,052	(1,342,663)
Cash fund balance, beginning of year	568,045	314,615	18,632	231,659	1,132,951	2,475,614
Cash fund balance, end of year	\$ 1,207,181	549,005	37,170	89,647	1,883,003	1,132,951

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, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 2,043,305	2,043,305	2,458,259
Intermediate sources	364,719	364,719	382,977
State sources	11,205,369	11,205,369	11,098,146
Federal sources	4,218,562	4,218,562	4,123,772
Non-revenue receipts			19,062
Total revenues	<u>17,831,955</u>	<u>78,807</u>	<u>18,082,216</u>
Expenditures:			
Instruction	11,380,439	11,380,439	10,472,444
Support services	5,817,100	5,817,100	5,817,100
Operation of non-instructional services	1,200,143	1,200,143	1,200,009
Other outlays	2,318	2,318	2,318
Total expenditures	<u>18,400,000</u>	<u>18,400,000</u>	<u>17,491,871</u>
Revenues over (under) expenditures	(568,045)	(18,321,193)	590,345
Other financing sources (uses):			
Lapsed appropriations			47,652
Estopped warrants			1,139
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>48,791</u>
Revenue and other sources over (under) expenditures and other uses	(568,045)	(18,321,193)	639,136
Cash fund balance, beginning of year	<u>568,045</u>	<u>568,045</u>	<u>568,045</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>1,207,181</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, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 265,997	265,997	290,172
Federal sources		113,384	41,725
Total revenues	<u>265,997</u>	<u>379,381</u>	<u>331,897</u>
Expenditures:			
Support services	558,424	78,807	78,807
Facilities, Acquisitions and Construction	22,188	22,188	18,700
Total expenditures	<u>580,612</u>	<u>100,995</u>	<u>97,507</u>
Revenues over (under) expenditures	(314,615)	278,386	234,390
Cash fund balance, beginning of year	<u>314,615</u>	<u>314,615</u>	<u>314,615</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>549,005</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-19, 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, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:			
Local sources	\$ 848,391	848,391	885,561
Expenditures:			
Other outlays - Debt service	867,023	867,023	867,023
Revenues over (under) expenditures	(18,632)	(18,632)	18,538
Cash fund balance, beginning of year	18,632	18,632	18,632
Cash fund balance, end of year	\$ 0	0	37,170

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

NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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, 2011

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 2010-11 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 2010-11 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, 2011

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 2010-11 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, 2011

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, 2011

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, 2011

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, 2011 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, 2011

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 owned. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

Intermediate Revenues - Revenue from intermediate sources is the amount of money from

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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, 2011

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 2010-11 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, 2011

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, 2011:

	<u>Bonds</u> <u>Payable</u>	<u>Capital</u> <u>Leases</u>	<u>Totals</u>
Balance, July 1, 2010	\$ 2,535,000	46,237	2,581,237
Additions	250,000	21,117	271,117
Retirements	<u>(1,675,000)</u>	<u>(48,484)</u>	<u>(1,723,484)</u>
Balance, June 30, 2011	<u>\$ 1,110,000</u>	<u>18,870</u>	<u>1,128,870</u>

A brief description of the outstanding long-term debt at June 30, 2011 is set forth below:

	<u>Amount</u> <u>outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2009, original issue \$1,680,000, interest rate of 1.65-1.70%, initial payment of \$820,000, due June 1, 2011, final installment of \$860,000 due June 1, 2012;	\$ 860,000
Building Bonds, Series 2010, original issue \$250,000, interest rate of 1.40-2.20%, initial payment of \$70,000, due August 1, 2012, final installment of \$90,000 due August 1, 2014;	250,000
<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>18,870</u>
Total	<u>\$ 1,128,870</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

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>
2012	\$ 860,000	20,845	880,845
2013	70,000	3,380	73,380
2014	90,000	2,610	92,610
2015	<u>90,000</u>	<u>1,350</u>	<u>91,350</u>
Totals	<u>\$ 1,110,000</u>	<u>28,185</u>	<u>1,138,185</u>

There was \$43,326 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>
2012	\$ 4,805	1,495	6,300
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>\$ 18,870</u>	<u>3,180</u>	<u>22,050</u>

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

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 2011, 2010 and 2009 were \$920,133, \$938,491 and \$892,219, respectively.

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

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.

COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS

**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, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
Cash	\$ 579,279	250	579,529	314,615
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 0	30,524	30,524	0
Fund Equity:				
Cash fund balances	579,279	(30,274)	549,005	314,615
Total Liabilities and Fund Equity	\$ 579,279	250	579,529	314,615

**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, 2011**

	BUILDING FUND	CO-OP FUND	TOTALS (Memorandum Only)	
			2011	2010
Revenues:				
Local sources	\$ 290,172		290,172	278,555
Federal sources		41,725	41,725	
Total revenues	<u>290,172</u>	<u>41,725</u>	<u>331,897</u>	<u>278,555</u>
Expenditures:				
Support services	6,808	71,999	78,807	
Facilities, Acquisitions and Construction	18,700		18,700	
Total expenditures	<u>25,508</u>	<u>71,999</u>	<u>97,507</u>	<u>0</u>
Revenues over (under) expenditures	264,664	(30,274)	234,390	278,555
Cash fund balance, beginning of year	<u>314,615</u>	<u>0</u>	<u>314,615</u>	<u>36,060</u>
Cash fund balance, end of year	<u>\$ 579,279</u>	<u>(30,274)</u>	<u>549,005</u>	<u>314,615</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, 2011**

	BUILDING FUND			COOP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues:						
Local sources	\$ 265,997	265,997	290,172	\$		
Federal sources					113,384	41,725
Total revenues	<u>265,997</u>	<u>265,997</u>	<u>290,172</u>	<u>0</u>	<u>113,384</u>	<u>41,725</u>
Expenditures:						
Support services	558,424	558,424	6,808		113,384	71,999
Facilities, Acquisitions and Construction	22,188	22,188	18,700			
Total expenditures	<u>580,612</u>	<u>580,612</u>	<u>25,508</u>	<u>0</u>	<u>113,384</u>	<u>71,999</u>
Revenues over (under) expenditures	(314,615)	(314,615)	264,664	0	0	(30,274)
Cash fund balance, beginning of year	<u>314,615</u>	<u>314,615</u>	<u>314,615</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>579,279</u>	<u>\$ 0</u>	<u>0</u>	<u>(30,274)</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2002</u> BUILDING BOND FUND	<u>2009</u> BUILDING BOND FUND	<u>2010</u> BUILDING BOND FUND	<u>TOTALS</u> (Memorandum Only)	
				<u>2011</u>	<u>2010</u>
<u>ASSETS</u>					
Cash	\$ 6,068	105,224	37,534	148,826	231,659
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	<u>0</u>	<u>59,179</u>	<u>0</u>	<u>59,179</u>	<u>0</u>
Fund equity:					
Cash fund balances	<u>6,068</u>	<u>46,045</u>	<u>37,534</u>	<u>89,647</u>	<u>231,659</u>
Total Liabilities and Fund Equity	<u>\$ 6,068</u>	<u>105,224</u>	<u>37,534</u>	<u>148,826</u>	<u>231,659</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-19, 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, 2011**

	2002 BUILDING BOND FUND	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	TOTALS (Memorandum Only)	
				2011	2010
Revenue:					
Local sources	\$ 21	358	155	534	0
Expenditures:					
Instructional			177,908	177,908	
Support Services	4,914	172,640	34,713	212,267	
Facilities, acquisition & const. services	2,371			2,371	1,439,623
Total expenditures	7,285	172,640	212,621	392,546	1,439,623
Revenues over (under) expenditures	(7,264)	(172,282)	(212,466)	(392,012)	(1,439,623)
Other financing sources (uses):					
Bond sales proceeds	0	0	250,000	250,000	0
Revenue and other sources over (under) expenditures and other uses	(7,264)	(172,282)	37,534	(142,012)	(1,439,623)
Cash fund balance, beginning of year	13,332	218,327	0	231,659	1,671,282
Cash fund balance, end of year	\$ 6,068	46,045	37,534	89,647	231,659

**INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
 JUNE 30, 2011**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
<u>ASSETS</u>	2011	2010
Cash	\$ 152,161	157,855
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Funds held for school organizations	\$ 152,161	157,855

**INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Teague Elementary Student Account	\$ 2,316	0	(2,316)	0	0
Teague Elementary Library	1,365	9,275		8,614	2,026
Teague Elementary Fund Raiser	15,423	1,914	2,316	4,307	15,346
Teague Elementary Picture Account	10,870	5,037		10,820	4,887
Lincoln Teacher Supplies	957	1,901		1,713	1,145
Lincoln Student Activities	594	60		198	456
Lincoln Picture Account	4,232	2,884		2,413	4,703
Lincoln Playground Fund	1,266	0		0	1,266
Ellington Student Account	793	3,023		2,992	824
Ellington Library	1,298	8,690		8,610	1,378
Ellington Lost Book Account	72	30		10	92
Ellington Pictures	3,171	3,175		820	5,526
Ellington T-Shirts/Jackets	968	383		574	777
Ellington Teacher Supplies	3,703	36,901		30,120	10,484
Ellington SBSW	185	0		0	185
Ellington Vendor	445	1,016		1,002	459
Ellington Playground Fund	109	0		0	109
Ellington PTA	23	0		0	23
Central Vendors	160	0	18	91	87
Central Student Account	18	0	(18)	0	0
Central Library Excelled Readers	1,995	7,071		7,455	1,611
Central Pictures	2,372	17,735	5,000	20,011	5,096
Central Student Council	132	916		340	708
Central Locker	616	8,290		7,103	1,803
Central PTO	5,306	27,826	(5,000)	21,081	7,051
Central Science Projects	93	4,154		2,914	1,333
Gifted & Talented	1,268	4,832		4,838	1,262
Admin Interest	637	563		496	704
Admin Pop Account	319	116		344	91
Teacher Appreciation	440	177		98	519
Middle School Lost Books	317	136		112	341
Alternative School	1,145	2,795		2,923	1,017
Ellington Sunshine Fund	153	447		577	23
Cherokee Nation Livestock	0	1,200		1,200	0
Lincoln Library Account	1,640	2,985		2,358	2,267
Lincoln PTO	4,703	3,484		3,829	4,358
Performing Arts Center	251	2,604		1,128	1,727
HS Class of 2006	1,720	7,140		5,340	3,520
HS Tech Ed	1,005	0		376	629
Sophomore Class	412	0		0	412
WHS Chain Reaction	638	0		25	613
Bus Barn Pop Account	219	165		165	219
Middle School Student Account	2,906	12,058		13,415	1,549
Middle School Computer	0	315		17	298
Middle School Drama	385	1,347		710	1,022
Middle School Yearbook	5,504	3,175		5,000	3,679
Middle School TSA	409	90		490	9
Middle School Lockers	480	4,416		1,219	3,677
Middle School Library	154	135		143	146
Middle School Cheerleaders	993	6,606		4,254	3,345
Middle School Pictures	2,240	1,070		2,758	552
Middle School Science	0	1,006		762	244
Middle School Student Council	358	2,560		2,812	106
Middle School PTO	1,182	1,355		1,504	1,033
Middle School Vendors	261	3,223		2,966	518
Middle School Teacher	27	539		347	219
High School Chemistry	0	84	(46)	38	0
HS Vocal Music	635	12,024		12,240	419
HS Vendor Account	4,482	10,989	679	14,196	1,954

**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, 2011**

<u>Activities</u>	Balance July 1, 2010	Additions	Net Transfers	Deletions	Balance June 30, 2011
HS Annual	\$ 10,853	11,908		10,790	11,971
HS Band	2,312	51,855		52,952	1,215
HS National Honor Society	367	0		122	245
HS Summer School	0	7,150		7,150	0
American Sign Language	1,819	1,593		1,825	1,587
HS Cheerleaders	4,697	6,238		7,875	3,060
IIS MU Alpha Theta	570	2,611		3,092	89
HS Wet Land Project	633	0	(633)	0	0
SWAT	139	485		555	69
HS Bus & Tech (FBLA)	8	6,500		6,226	282
HS FFA	3,544	38,985		38,439	4,090
HS FHA	143	4,216		4,328	31
IIS Foreign Language Club	142	0		142	0
HS Lost Books	422	278		700	0
HS Media Center	936	825		996	765
HS Science Club	377	1,070		1,230	217
HS Speech & Drama	427	6,792		6,244	975
HS Student Council	444	5,065		5,201	308
HS Windtalkers	383	0		0	383
HS Class of 2004	2,807	1,155		2,715	1,247
IIS PSI	273	0		0	273
HS Locks	2,731	2,951		3,634	2,048
IIS Teachers	47	0		0	47
HS Pictures	1,118	618		1,204	532
HS Grad Night	1,774	17,417		17,680	1,511
HS TMH Special Olympics	1,438	3,907		4,350	995
HS Band Booster Club	11,374	20,581		22,893	9,062
Athletic Baseball Fundraiser	682	2,749		2,979	452
Athletics	126	147,395		147,349	172
Athletic Concession Stand	802	48,022		48,360	464
Volleyball	0	4,409		4,404	5
Athletic Jackets	480	13,636		14,017	99
Athletic Vendor Account	101	496		432	165
Athletic Softball Fundraiser	16	4,009		3,714	311
Athletic Shoes/Warmups	304	392		580	116
Soccer Fund	753	3,028		3,724	57
Wrestling	285	8,220		8,267	238
Allsport Booster Club	3,105	140		2,574	671
Girls Tennis	492	1,463		1,769	186
Girls Golf	102	1,428		1,526	4
Boys Basketball	16	1,050		714	352
Drug Testing	2,315	12,388		14,584	119
Football Fundraiser	4,127	18,566		19,700	2,993
Girls Basketball	945	4,892		5,769	68
Boys Golf	0	1,754		1,267	487
Boys & Girls Track	261	4,514		4,422	353
TOTAL ASSETS - AGENCY FUNDS	\$ 157,855	698,668	0	704,362	152,161
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	\$ 157,855	698,668	0	704,362	152,161

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
U.S. Department of Education							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	S060A100848	\$ 254,855.00	(29,378.36)	217,919.67	254,854.53	(36,934.86)
Title VII-Part A, Indian Education 2009-10 - Note 1	84.060	S060A090848		(29,378.36)	29,378.36		
Subtotal			<u>254,855.00</u>	<u>(29,378.36)</u>	<u>247,298.03</u>	<u>254,854.53</u>	<u>(36,934.86)</u>
Passed Through State Department of Education:							
Title I-Part A, Improving Basic Programs	84.010		832,999.39	(51,945.78)	666,556.77	741,143.61	(74,566.64)
Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010			(51,945.78)	51,945.78		
ARRA Title I-Part A	84.389		230,082.12	(22,160.34)	75,867.75	155,619.09	(79,751.34)
ARRA Title I-Part A 2009-10 - Note 1	84.389			(22,160.34)	22,160.34		
IDEA Part B, Discretionary	84.027		5,000.00			4,959.24	(4,959.24)
Project ECCO	84.027		5,500.00			1,855.32	(1,855.32)
Special Education, Flowthrough, P.L. 105-17	84.027		542,805.46		539,078.95	542,800.90	(3,721.95)
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		182,016.51		100,139.31	160,021.44	(59,882.13)
ARRA Special Education 2009-10 - Note 1	84.391			(6,012.65)	6,012.65		
Special Education - Private School	84.027		1,247.83			1,245.52	(1,245.52)
Special Education, Preschool	84.173		11,795.93		11,795.93		
ARRA Special Education, Preschool, Ages 3-5	84.392		6,078.90			147.00	(147.00)
Project ECCO 2009-10 - Note 1	84.027			(148.00)	148.00		
Title IV-Part A, Safe and Drug Free Schools 2009-10 - Note 1	84.186			(6,761.81)	6,761.81		
Title II-Part D 2009-10 - Note 1	84.318			(2,042.16)	2,042.16		
Title II-Part A, Transferability	84.367		20,000.00		20,000.00	20,000.00	
Title II-Part A, Teacher & Principal Training	84.367		141,421.98		103,482.72	119,340.37	(15,857.65)
Title II-Part A, Teacher & Principal Training 2009-10 - Note 1	84.367			(6,460.34)	6,460.34		
Title II-Part B, Mathematics and Science Partnerships	84.366		113,384.03		41,724.69	73,098.57	(31,373.88)
Education for Homeless Children and Youth	84.196		68,719.99		44,164.70	63,213.04	(19,048.34)
Education for Homeless Children and Youth 2009-10 - Note 1	84.196			(10,154.59)	10,154.59		
ARRA - Stabilization	84.394		530,094.00		530,094.00	530,094.00	
Education Jobs Fund	84.410		452,005.00		452,005.00	452,005.00	
21st Century Community Learning Centers	84.287		300,000.00		190,744.85	251,311.95	(60,567.10)
21st Century Community Learning Centers 2009-10 - Note 1	84.287			(49,141.19)	49,141.19		
Subtotal			<u>3,443,151.14</u>	<u>(154,826.86)</u>	<u>2,930,481.53</u>	<u>3,128,650.98</u>	<u>(352,996.31)</u>
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		\$ 24,485.03	0	0	21,897.14	(21,897.14)
U.S. Department of Agriculture:							
Passed Through State Department of Education:							

**INDEPENDENT SCHOOL DISTRICT NO. 1-19, WAGONER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
* National School Lunch Program	10.555				76,242.37	76,242.37	
<i>Non-Cash Assistance Subtotal</i>							
Cash Assistance:							
* National School Lunch Program	10.555				673,618.26	673,618.26	
* School Breakfast Program	10.553				227,878.14	227,878.14	
* Summer Food Program	10.559				2,240.42	36,080.80	(33,840.38)
* Summer Food Program 2009-10 - Note 1	10.559			(32,317.10)	32,317.10		
<i>Cash Assistance Subtotal</i>							
<i>Total For Program (Cluster)</i>							
				(32,317.10)	937,577.20	937,577.20	(33,840.38)
				(32,317.10)	1,012,296.29	1,013,819.57	(33,840.38)
Other Federal Assistance:							
Johnson O'Malley	15.130		\$ 42,480.00		14,181.89	42,480.00	(28,298.11)
Johnson O'Malley 2009-10 - Note 1	15.130			(24,036.30)	24,036.30		
Flood Control	12.112				1,962.74	1,962.74	
Medicaid	93.778				11,482.50	11,482.50	
<i>Subtotal</i>							
				(24,036.30)	51,663.43	55,925.24	(28,298.11)
<i>Total Federal Assistance</i>							
			\$ 3,764,971.17	(240,558.62)	4,241,739.28	4,475,147.46	(473,986.80)

* 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 \$76,242.37 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

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

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
 FOR THE YEAR ENDED JUNE 30, 2011

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
RLI Surety	Treasurer	LSM0138349	\$ 100,000	07/01/10 - 07/01/11
	Blanket Bond:	FID8002889	100,000	07/29/10 - 07/29/11
	Encumbrance Clerk			
	Superintendent			
	Payroll Clerk			
	Athletic Activity Accounts Manager			
	Director of Food Nutrition			
	Public Official Bond	RSB8006577	18,000	07/30/10 - 7/30/11

INDEPENDENT SCHOOL DISTRICT NO. I-19, WAGONER COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011

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 2010-11.

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

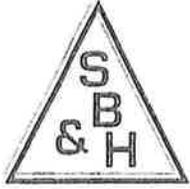
By 
Authorized Agent

Subscribed and sworn to before me
This 21st day of December, 2011




Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-12
Commission No. 00008621



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

December 21, 2011

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.

The following section contains the exception relayed to management which will be included in your audit report as a reportable condition relating to compliance based on an audit of financial statements.

Misappropriation of District Funds – Falsified Invoices

Based upon the documentation furnished to our office, it appears that a Wagoner Public School District employee, Susan Spaulding, submitted false invoices for equipment items purchased to the school district in order to obtain reimbursement. This employee was in charge of purchasing equipment items for the school district's vocational programs. This issue appears to have started during the 2006-07 fiscal year, and increase in frequency each fiscal year.

Listed below are the occurrences and dollar amounts noted:

<u>Fiscal Year</u>	<u>Occurrences</u>	<u>Amount</u>
2006-07	1	\$ 948.60
2007-08	3	4,709.35
2008-09	7	11,386.00
2009-10	36	52,430.57
2010-11	39	64,472.78
Total	<u>86</u>	<u>\$ 133,947.30</u>

It appears that direct reimbursement to employees for purchasing items on behalf of the school district is not the normal procedure used for purchases of equipment and other items. This employee was the only one that was consistently allowed to personally purchase equipment and receive reimbursement. The original purchase requisition and purchase orders (approved by the superintendent) were actually made to legitimate vendors. However, when submitted to the encumbrance clerk for payment, these vendors had been changed to Susan Spalding, and an invoice from a false vendor was included as supporting documentation. Most of the false invoices were from a company called Scruggs TV and Electronics, located in Stillwell, Oklahoma. Research into this company revealed that no such vendor was located in Stillwell, and the phone number belonged to a church in Stillwell. Also, Ms. Spaulding used several Apple Computer invoices for reimbursement, and these invoices appear to have been manipulated, printed over and photocopied to look like new purchases, but were actually just fabricated invoices. None of the questioned items could be located on school district property, thus affirming that these items never actually existed.

We recommend that the District make a determination as to the disposition of these missing funds, and that appropriate law enforcement officials be notified and requested to take appropriate action regarding this apparent loss. This action should be taken immediately.

We further recommend that the encumbrance clerk be questioned as to her possible involvement in this issue. Since it was not normally District's policy to reimburse employees directly for purchased items, and since the vendors on all these invoices did not match up with the vendor on the approved requisitions and purchase orders, it appears this manipulation should have been caught by a reasonable person performing their assigned job function of paying legitimate school district expenditures. Given the frequency of these submissions to the encumbrance clerk, it would be nearly impossible for an encumbrance clerk not to notice these obvious changes to every requisition and purchase order submitted by this employee.

The following section contains the exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are not included, but which are referred to, in the audit report.

Booster Clubs

We recommend that District sanctioning policies be reexamined regarding outside fundraising organizations and booster clubs. It appears that current Board policies are not being followed. In addition, booster club financial records were not available for review. We recommend that all sanctioned booster clubs be approved by the Board annually and that all required bylaws, purpose/goals, etc. be provided to the board. Also, monthly

financial records should be reviewed by the activity fund custodian for compliance with Board policies and to ensure that appropriate tax requirements are being followed.

Activity Fund – Non-Athletics

During our final audit work, we observed that the procedures for collecting and turning in money differed from site to site. We recommend that a uniform policy be set and implemented for all sites that utilize an activity fund. Although there are many allowable ways to handle the collections of activity fund money, it is our opinion that the “daily deposit slips” utilized by the high school and middle school is a good way to trace and account for collections. We would, however, recommend that sponsors be required to list the corresponding receipt numbers on the “daily deposit slip” and that all forms (daily deposit slips) are uniform throughout the District. This will enable the site secretaries to hold sponsors accountable for timely submission of collections by periodically checking sponsor receipt books and comparing the dates of collections with the date the collection was turned in to the secretary. It will also provide a clear audit trail for all monies flowing through the activity fund. It is currently difficult to trace when the sponsors are receiving money and compare it with when it is turned in for deposit, however, in many instances we observed where sponsors are holding money for weeks and sometimes months before turning it in for deposit. All collections should be turned in for deposit on a daily basis, unless the accumulated monies is less than \$100, in which case the money may be held for no longer than one week.

In addition, we observed at the elementary sites visited that receipt books were now being utilized for all activities in which money was collected. We would also like to recommend that the roster sheets (pink sheets) that are often used as collection documentation be attached to the site receipt and daily deposit slip that is turned in to the activity fund custodian.

In summary, it is our opinion that although the site secretaries appear to be depositing funds on a daily basis, sponsors are frequently holding collection too long before turning them in for deposit. In addition, currently there is not a clear audit trail in place in order to hold sponsors accountable and reduce risk. We also recommend that all receipt books be properly checked in/out each year to each sponsor, and the used receipt books be kept on file for at least five years.

Activity Fund - Athletics

We observed that receipt books were not being kept by coaches/sponsors. We recommend that any individual collecting fund be issued a receipt book at the start of the year and that it be utilized for all collections. These receipts should be verified by Jana

King for accuracy and timeliness, at the time collections are turned in for deposit. The receipt books should also be checked back in to Mrs. King at the end of each year. This policy will provide accountability for both Mrs. King as well as the individuals collecting funds.

Child Nutrition

The Child Nutrition Program has been under federal investigation over the last two audit periods. We believe the investigation does not involve the 2010-11 fiscal year, however, we recommend the District continue its cooperation with federal authorities and continue to comply with all recommendation that may arise from the investigation.

Reserved Encumbrances

We observed during the audit that the District reported general fund reserved encumbrances at June 30, 2011 in the amount of \$119,489.30, but actually only issued warrants in the amount of \$72,506.16 (or 60.7% of the reserved amount). We recommend that unused purchase orders be properly closed out at year end to assure that reserved amounts are actual obligations of the District.

Purchase Orders

Purchase orders were used in accordance with Oklahoma Statutes, however, they were not always encumbered against available appropriations prior to the obligations being incurred. We recommend that the District enforce its policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred. (Reference: 70 O.S. 2001 § 5-135D)

We also observed a few instances where a purchase order did not have adequate supporting documentation attached. We recommend that purchase orders be paid only from original, itemized invoices.

In addition, we observed several instances of purchase orders with incorrect expenditure codes. Many of these exceptions had purchase orders incorrectly coded to Object 610. We recommend that a current OCAS manual be used to properly code expenditures.

Mr. Monte Thompson, Supt.
Wagoner Public Schools

Page 5

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eric M. Bledsoe". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP