

FINANCIAL STATEMENTS AND REPORTS OF  
WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
JUNE 30, 2011

RALPH OSBORN  
CERTIFIED PUBLIC ACCOUNTANT  
500 S. CHESTNUT  
P.O. BOX 1015  
BRISTOW, OKLAHOMA 74010-1015  
(918) 367-2208  
FAX (918) 367-1034

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 JUNE 30, 2011

TABLE OF CONTENTS

<u>SCHOOL DISTRICT OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>COMBINED FINANCIAL STATEMENTS</u>	
Combined Statement of Assets, Liabilities, and Equity - Regulatory Basis All - Fund Types and Account Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes In Fund Balances - All Governmental Regulatory Basis - Fund Types	5
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances - Budget and Actual - Budgeted Governmental Regulatory Basis - Fund Types	6
<u>NOTES TO FINANCIAL STATEMENTS</u>	7-17
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
<u>Combining Financial Statements</u>	
Combining Statement of Assets, Liabilities, and Fund Balances -Regulatory Basis - All Special Revenue Funds	18
Combining Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances - Regulatory Basis - All Special Revenue Funds	19
Combining Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Special Revenue Funds	20
Combining Statements of Assets, Liabilities and Fund Equity - Regulatory Basis - All Agency Funds	21
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - Activity Funds	22-23
<u>SUPPORTING SCHEDULES</u>	
Schedule of Federal Awards Expended	24
Schedule of Statutory, Fidelity and Honesty Bonds	25
<u>INTERNAL CONTROL AND COMPLIANCE REPORTS</u>	
Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	26-27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
<u>SCHEDULE OF FINDINGS AND QUESTIONED COST</u>	
Schedule of Findings and Questioned Costs	30
Status of Prior Year Audit Findings	31
<u>SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT</u>	32

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011

BOARD OF EDUCATION

President  
Vice-President  
Clerk  
Member  
Member

G. W. Paull, Jr.  
Larry Beasler  
Wayne McConnell  
Grant Green  
Willis Miller

School District Treasurer

Julie Bradley

Encumbrance Clerk

Kim Murphy

Minutes Clerk

Kim Murphy

Superintendent of Schools

Dwayne Danker

INDEPENDENT AUDITORS REPORT

The Honorable Board of Education  
Wellston School District No. I-4  
Lincoln County, Oklahoma  
Wellston, Oklahoma

I have audited the accompanying fund type and account group financial statements of Wellston School District No. I-4, Lincoln County, Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of management of Wellston School District, No. I-4, Lincoln County, Oklahoma. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1C, 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 compressive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note 1E, the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with the accounting and reporting regulations prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed assets account group is not known.

In my opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wellston School District No. I-4, Lincoln County, Oklahoma as of June 30, 2011, or the results of its operations for the year then ended.

However, in my opinion, except for the omission of a general fixed assets account group, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Wellston School District No. I-4, Lincoln County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses for the year ended on the regulatory basis of accounting described in Note 1C.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2011 on my consideration of the School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 my audit.

My 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 as listed in the table of contents under other supplementary information are presented for purposes of additional analysis and are not a required part of the combined financial statements of Wellston School District. 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 also not a required part of the combined financial statements of the District. 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 my 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 1C.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
November 7, 2011

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
COMBINED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2011

	Governmental Fund Type			Fiduciary Fund Types		Account Groups		Total (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Projects	Trust And Agency	General	Long-Term Debt	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 369,314	\$ 42,832	\$ 6,651	\$ 3,709	\$ 54,756	\$ -	\$ -	\$ 477,262
Amount available in Debt Service fund	-	-	-	-	-	6,651	-	6,651
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	468,349	-	468,349
Amount to be provided for capitalized lease agreements	-	-	-	-	-	447,510	-	447,510
<b>Total Assets</b>	<b>\$ 369,314</b>	<b>\$ 42,832</b>	<b>\$ 6,651</b>	<b>\$ 3,709</b>	<b>\$ 54,756</b>	<b>\$ 922,510</b>	<b>\$ 922,510</b>	<b>\$ 1,399,772</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>LIABILITIES</b>								
Warrants payable	\$ 172,427	\$ 8,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,255
Due to other groups	-	-	-	-	54,756	-	-	54,756
Long-term debt:								
Bonds payable	-	-	-	-	-	475,000	-	475,000
Capital leases	-	-	-	-	-	447,510	-	447,510
<b>Total Liabilities</b>	<b>172,427</b>	<b>8,828</b>	<b>-</b>	<b>-</b>	<b>54,756</b>	<b>922,510</b>	<b>922,510</b>	<b>1,158,521</b>
<b>FUND EQUITY</b>								
Unreserved	-	-	-	3,709	-	-	-	3,709
Designated for capital projects	-	-	6,651	-	-	-	-	6,651
Designated for debt service	-	-	-	-	-	-	-	-
Undesignated	196,887	34,004	-	-	-	-	-	230,891
Total fund equity	196,887	34,004	6,651	3,709	-	-	-	241,251
<b>Total liabilities and fund equity</b>	<b>\$ 369,314</b>	<b>\$ 42,832</b>	<b>\$ 6,651</b>	<b>\$ 3,709</b>	<b>\$ 54,756</b>	<b>\$ 922,510</b>	<b>\$ 922,510</b>	<b>\$ 1,399,772</b>

The accompanying notes are an integral part of this statement.

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
 PAID, AND CHANGES IN FUND BALANCES  
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenues Collected					
Local Resources	\$ 646,106	\$ 159,422	\$ 248,504	\$ -	\$ 1,054,032
Intermediate Sources	83,076	-	-	-	83,076
State Sources	2,554,276	30,920	33	-	2,585,229
Federal Sources	507,907	188,531	-	-	696,438
Non-Revenue Receipts	<u>8,652</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>8,935</u>
Total Revenues Collected	<u>3,800,017</u>	<u>378,873</u>	<u>248,820</u>	<u>-</u>	<u>4,427,710</u>
Expenditures Paid					
Instruction	2,263,952	26,792	-	-	2,290,744
Support Services	1,303,400	12,144	-	-	1,315,544
Non-Instruction Services	-	270,151	-	-	270,151
Capital Outlay	30,794	81,359	-	475,000	587,153
Other Outlays	17,718	-	-	-	17,718
Repayments	7,975	-	-	-	7,975
Debt Service:					
Principal Retirement	-	-	250,000	-	250,000
Interest and Fiscal Agent Charges	<u>-</u>	<u>-</u>	<u>7,625</u>	<u>-</u>	<u>7,625</u>
Total Expenditures Paid	<u>3,623,839</u>	<u>390,446</u>	<u>257,625</u>	<u>475,000</u>	<u>4,746,910</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	<u>176,178</u>	<u>(11,573)</u>	<u>(8,805)</u>	<u>(475,000)</u>	<u>(319,200)</u>
Other Sources (Uses)					
Proceeds from Bond Issues	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>475,000</u>
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>475,000</u>
Excess (Deficiency) of Revenue Collected Over (Under) Expenditures Paid And Other Sources (Uses)	176,178	(11,573)	(8,805)	-	155,800
Fund Balance, Beginning	<u>20,709</u>	<u>45,577</u>	<u>15,456</u>	<u>3,709</u>	<u>85,451</u>
Fund Balance, Ending	<u>\$ 196,887</u>	<u>\$ 34,004</u>	<u>\$ 6,651</u>	<u>\$ 3,709</u>	<u>\$ 241,251</u>

The accompanying notes are an integral part of this statement.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
REGULATORY BASIS - BUDGETED GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues Collected									
Local Sources	\$ 563,873	\$ 577,967	\$ 646,106	\$ 174,624	\$ 174,624	\$ 159,422	\$ 249,520	\$ 249,520	\$ 248,504
Intermediate Sources	69,750	81,466	83,076	-	-	-	-	-	-
State Sources	2,451,529	2,583,619	2,554,276	30,411	30,411	30,920	-	-	33
Federal Sources	500,107	526,796	507,907	140,486	141,124	188,531	-	-	-
Non-Revenue Receipts	-	-	8,652	-	-	-	-	-	283
Total Revenues Collected	3,585,259	3,769,848	3,800,017	345,521	346,159	378,873	249,520	249,520	248,820
Expenditures Paid									
Instruction	3,611,441	3,796,030	2,263,952	26,809	26,809	26,792	-	-	-
Support Services	-	-	1,303,400	-	-	12,144	-	-	-
Non-Instruction Services	-	-	-	269,513	270,151	270,151	-	-	-
Capital Outlay	-	-	30,794	94,776	94,776	81,359	-	-	-
Other Outlays	-	-	17,718	-	-	-	-	-	-
Repayments	-	-	7,975	-	-	-	-	-	-
Debt Service:									
Principal Retirement	-	-	-	-	-	-	250,000	250,000	250,000
Interest and Fiscal	-	-	-	-	-	-	7,625	7,625	7,625
Agent Charges	-	-	-	-	-	-	-	-	-
Total Expenditures Paid	3,611,441	3,796,030	3,623,839	391,098	391,736	390,446	257,625	257,625	257,625
Excess (Deficiency) of Revenue Collected Over (Under)	(26,182)	(26,182)	176,178	(45,577)	(45,577)	(11,573)	(8,105)	(8,105)	(8,805)
Expenditures Paid	26,182	26,182	20,709	45,577	45,577	45,577	15,456	15,456	15,456
Fund Balance, Beginning	\$ 0	\$ 0	\$ 196,887	\$ 0	\$ 0	\$ 34,004	\$ 7,351	\$ 7,351	\$ 6,651
Fund Balance, Ending									

The accompanying notes are an integral part of this statements.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies

The basic financial statements of Wellston Public Schools Independent District No. I-4, Lincoln County, Oklahoma (the District) have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's policies are described below.

A. Reporting entity

The District is a corporate body for public purposes created under Title 70 of 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.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)
- B. Fund Accounting and Description of Funds

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 governments' general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects fund), and the servicing of general long-term debt (debt service fund).

General Fund

The general fund is used to account for all 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 Salary Incentive Aid Program. Expenditures include all costs associated with the daily operation of the schools except the 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 fund includes the District's Co-op Fund, Building Fund, and Child Nutrition Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition fund derives monies from the operation of the school lunch and breakfast programs. The Co-op Fund includes money received for certain current expenditures.

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 debt principal, interest and related cost. The primary revenue source is local property taxes levied specifically for debt service.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)
- B. Fund Accounting and Description of Funds, (continued)

Capital Projects Fund

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 and services from such activities can be provided either outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District does not have Proprietary Funds at this time.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside partners, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a trust agreement, trust funds are used for their accounting and reporting. Agency funds generally 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.

Account Groups

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 general fixed assets not accounted for in proprietary funds.

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 liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

General Fixed Asset Account Group

This account group is used to account for property, plant and equipment of the school district. The District does not have information necessary to include this group in its combined financial statements.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)
- B. Fund Accounting and Description of Funds, (continued)

Memorandum Only - Total Column

The total column on the financial statements 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 flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by the 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:

1. Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
2. Investments and inventories are recorded as assets when purchased.
3. Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
4. Warrants payable are recorded as liabilities when issued.
5. Long-term debt is recorded when incurred.
6. 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 require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)  
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 second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes a 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 the majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. The District electors have made the levies 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 and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments

Investments consist of certificates of deposit or direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues

The District is authorized by state law to levy property taxes, which consists of ad valorem taxes on real and personal property within the District. 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.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)  
E. Assets, Liabilities, and Fund Equity, (continued)

Inventories

The value of consumable inventories at June 30, 2011 is not known but is not believed to be material to the basic financial statements.

Capital Assets

The General Fixed Assets Account Group is not presented. The amount which would be included in it is not known.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

Employees are allowed varying amounts of sick leave during the year in accordance with Oklahoma Statutes. Sick leave used during the year is recorded as an expense in the governmental fund. Vested accumulated rights to receive sick pay benefits may be used in subsequent years, transferred to another District, or added to years of service upon retirement. Based on the District's experience it is not probable that District will pay for vested accumulated rights to receive sick leave. Therefore, a liability for vested accumulated sick leave has not been recorded.

Long-Term Debt

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

Fund Balance

Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

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.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies, (continued)  
E. Assets, Liabilities, and Fund Equity, (continued)

State Revenues, (continued)

The District receives revenue from the state to administer certain categorical education 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. These rules also 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 the categorical educational program revenues be accounted for in the general fund.

Interfund Transactions

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

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

2. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of saving and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the District will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by counterparty or the counterparty's trust department but not in the name of the District. The District's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2011, all of the Districts deposits and investments were either covered by federal deposit insurance or were fully collateralized.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

2. Cash and Investments, (continued)

Deposits

The District had deposits at financial institutions with a carrying amount of approximately \$477,262 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$480,983.

Credit Risk

Fixed-income securities are subject to credit risk. However, the District did not have fixed income securities at June 30, 2011.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's Treasurer and Board of Education monitor the District's investment performance on an ongoing basis to limit the District's interest rate risk. As of June 30, 2011, all of the District's deposits consisted of demand deposits.

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 have been 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 from the date of issue.

General long-term debt of the District consists of bonds payable and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Principal and interest on the capital leases is paid from the General Fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	<u>Bonds Payable</u>	<u>Capital Lease Obligation</u>	<u>Total</u>
Balance, July 1, 2010	\$ 250,000	\$1,009,178	\$1,259,178
Additions	475,000	-	475,000
Retirements	<u>(250,000)</u>	<u>(561,668)</u>	<u>(811,668)</u>
Balance, June 30, 2011	<u>\$ 475,000</u>	<u>\$ 447,510</u>	<u>\$ 922,510</u>

A brief description of the outstanding general obligation bond issue at June 30, 2011 is set forth below:

	<u>Amount Outstanding</u>
Independent School District No. I-4 Building Bonds, Series 2010, original issue \$475,000, interest rate of 1.35% and 1.70%, due in annual installments of \$225,000, final payment of \$250,000 due July 1, 2013.	\$ 475,000
	<u>\$ 475,000</u>

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

3. General Long-Term Debt, (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 7,288	\$ 7,288
2013	225,000	7,288	232,288
2014	<u>250,000</u>	<u>4,250</u>	<u>\$ 254,250</u>
Total	<u>\$ 475,000</u>	<u>\$ 18,826</u>	<u>\$ 493,826</u>

Interest expense on bonds paid during the current year totaled \$7,625.

The District has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

The District has recorded the liability for future lease payments of the general long-term debt account group for the equipment. The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending</u> <u>June 30</u>	<u>Bus</u>	<u>Truck</u>	<u>Equipment</u>	<u>Total</u>
2012	\$ 11,433	\$ 7,601	\$ 65,164	84,198
2013	-	-	65,164	65,164
2014	-	-	65,164	65,164
2015	-	-	65,164	65,164
2016	-	-	65,164	65,164
2017	-	-	65,164	65,164
2018	<u>-</u>	<u>-</u>	<u>65,164</u>	<u>65,164</u>
Total minimum lease payments	11,433	7,601	456,148	475,182
Less: Amount representing interest	<u>614</u>	<u>375</u>	<u>26,683</u>	<u>27,672</u>
Present value of future minimum lease payments	<u>\$ 10,819</u>	<u>\$ 7,226</u>	<u>\$ 429,465</u>	<u>\$ 447,510</u>

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

4. Employee Retirement System

The District participants in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer Public Employee Retirement System. Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with ten years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal option, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of compensation. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7% of total compensation.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$2,161,865. Total contributions made during the year ended June 30, 2011 were \$356,690. The District paid matching retirement on salary paid from federal programs. The Districts total contributions for 2011, 2010, and 2009 were \$356,690, \$408,359, and \$420,235 respectively.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

4. Employee Retirement System, (continued)

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 unfunded pension benefit obligation (in millions) of the System, as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

Total pension benefits obligation	\$ 17,561
Net assets available for benefits, at cost	<u>9,961</u>
Nonfunded pension benefit obligation	<u>\$ 7,600</u>

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The annual report may be obtained by writing to Oklahoma Teacher's Retirement System, PO Box 53524, Oklahoma City, OK, 73152.

5. Contingencies

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

6. Risk Management

The District is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees's health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND CASH FUND BALANCES  
 REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	<u>Co-op Fund</u>	<u>Building Fund</u>	<u>Child Nutrition</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 568	\$ 8,381	\$ 33,883	\$ 42,832
Total Assets	<u>\$ 568</u>	<u>\$ 8,381</u>	<u>\$ 33,883</u>	<u>\$ 42,832</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Warrants Payable	\$ 551	\$ -	\$ 8,277	\$ 8,828
Total Liabilities	<u>551</u>	<u>-</u>	<u>8,277</u>	<u>8,828</u>
Fund Equity:				
Unreserved Undesignated	<u>17</u>	<u>8,381</u>	<u>25,606</u>	<u>34,004</u>
Total Fund Equity	<u>17</u>	<u>8,381</u>	<u>25,606</u>	<u>34,004</u>
Total Liabilities and Fund Equity	<u>\$ 568</u>	<u>\$ 8,381</u>	<u>\$ 33,883</u>	<u>\$ 42,832</u>

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

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES COLLECTED,  
 EXPENDITURES PAID, AND CHANGES IN FUND BALANCES  
 REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	<u>Co-op Fund</u>	<u>Building Fund</u>	<u>Child Nutrition</u>	<u>Total</u>
Revenues Collected				
Local Sources	\$ -	\$ 87,693	\$ 71,729	\$ 159,422
State Sources	26,709	12	4,199	30,920
Federal Sources	<u>-</u>	<u>-</u>	<u>188,531</u>	<u>188,531</u>
Total Revenues	<u>26,709</u>	<u>87,705</u>	<u>264,459</u>	<u>378,873</u>
Expenditures Paid				
Instruction	26,792	-	-	26,792
Support Services	-	12,144	-	12,144
Non-instruction	-	-	270,151	270,151
Capital Outlay	<u>-</u>	<u>81,359</u>	<u>-</u>	<u>81,359</u>
Total Expenditures Paid	<u>26,792</u>	<u>93,503</u>	<u>270,151</u>	<u>390,446</u>
Excess of Revenues Collected Over (Under) Expenses Paid	(83)	(5,798)	(5,692)	(11,573)
Fund Balance - Beginning of Year	<u>100</u>	<u>14,179</u>	<u>31,298</u>	<u>45,577</u>
Fund Balance - Ending of Year	<u>\$ 17</u>	<u>\$ 8,381</u>	<u>\$ 25,606</u>	<u>\$ 34,004</u>

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

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
REGULATORY BASIS - SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Co-op Fund		Building Fund		Child Nutrition Fund		Total	
	Original Budget	Final Budget	Original Budget	Final Budget	Original Budget	Final Budget	Original Budget	Final Budget
Revenue Collected:								
Local Sources	\$ -	\$ -	\$ 80,597	\$ 80,597	\$ 94,027	\$ 94,027	\$ 174,624	\$ 174,624
State Sources	26,709	26,709	-	-	3,702	3,702	30,411	30,411
Federal Sources	-	-	-	-	140,486	141,124	140,486	141,124
Total Revenue Collected	26,709	26,709	80,597	80,597	238,215	238,853	345,521	346,159
Expenditures Paid:								
Instruction	26,809	26,792	-	-	-	-	26,809	26,792
Support Services	-	-	-	-	12,144	-	-	12,144
Non-Instruction Services	-	-	-	-	-	-	-	-
Other Outlays	-	-	-	-	269,513	270,151	269,513	270,151
Capital Outlay	-	-	94,776	94,776	-	-	94,776	94,776
Total Expenditures Paid	26,809	26,792	94,776	94,776	269,513	270,151	391,098	391,736
Excess of Revenues								
Collected Over(Under)	(100)	(100)	(14,179)	(14,179)	(31,298)	(31,298)	(45,577)	(45,577)
Expenditures Paid								
Adjustments to Prior	-	-	-	-	-	-	-	-
Lapsed Approp.	-	-	-	-	-	-	-	-
Total Adjustments	-	-	-	-	-	-	-	-
Excess of Revenues								
Collected Over(Under)	(100)	(100)	(14,179)	(14,179)	(31,298)	(31,298)	(45,577)	(45,577)
Expenditures Paid								
And Adjustments	(100)	(100)	(14,179)	(14,179)	(31,298)	(31,298)	(45,577)	(45,577)
Fund Balance - Beginning	100	100	14,179	14,179	31,298	31,298	45,577	45,577
Fund Balance - Ending	\$ 0	\$ 17	\$ 0	\$ 8,381	\$ 0	\$ 25,606	\$ 0	\$ 34,004

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

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
 REGULATORY FUNDS - ALL AGENCY FUNDS  
 JUNE 30, 2011

	<u>Agency Fund Activity Funds</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 54,756	\$ 54,756
Total Assets	<u>\$ 54,756</u>	<u>\$ 54,756</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Due to Others	\$ 54,756	\$ 54,756
Total Liabilities	<u>54,756</u>	<u>54,756</u>
Fund Equity:		
Unreserved/Undesignated	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 54,756</u>	<u>\$ 54,756</u>

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

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ACTIVITY FUND - HIGH SCHOOL  
 JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
ATHLETICS	\$ 8,556	\$ 42,570	\$ 42,490	\$ 8,636
FFA	3,912	82,645	84,464	2,093
SENIORS	162	4,936	5,005	93
JUNIORS	2,785	11,178	13,535	428
SOPHOMORES	96	180	0	276
FRESHMEN	118	735	103	750
WEA	597	2,506	1,455	1,648
H.S. SOFTBALL	115	6,853	5,945	1,023
FCCLA	408	3,139	2,739	808
ANNUAL	2,610	13,920	7,426	9,104
WOODWORKING	718	0	32	686
H.S. CHEERLEADERS	1,851	16,613	17,345	1,119
QUARTERBACK	0	500	388	112
4H CLUB	542	317	370	489
STUDENT COUNCIL	273	0	0	273
BAND	1,967	23,370	23,751	1,586
PETTY CASH	0	326	326	0
MID SCHOOL CHEERLEADERS	1,345	1,488	2,811	22
SPANISH CLUB	468	0	0	468
NATIONAL HONOR SOCIETY	134	0	0	134
8 <sup>TH</sup> GRADE	65	690	669	86
SPEECH/DRAMA	207	0	0	207
FELLOWSHIP CHRISTIAN ATH.	214	90	122	182
H.S. BASEBALL	1,363	18,757	19,121	999
CHILD NUTRITION	0	103,409	103,409	0
MISCELLANEOUS	4,295	8,326	6,565	6,056
A P	424	1,531	1,949	6
DECA	11	0	0	11
JR HIGH NATIONAL HONOR SOCIETY	58	135	146	47
LIBRARY	53	1,115	1,140	28
GENERAL FUND REFUND	0	2,617	2,617	0
U21	235	1,280	1,443	72
SCIENCE CLUB	546	124	573	97
M.S. MISC.	731	904	1,479	156
H.S. MISC.	1,094	572	1,632	34
GIRLS BASKETBALL	1,290	17,186	16,737	1,739
BOYS BASKETBALL	143	2,612	2,557	198
ALTERNATIVE ED	219	0	61	158
BPA	3,550	5,038	7,819	769
SIM CITY	346	694	1,040	0
TOTAL HIGH SCHOOL	<u>\$ 41,501</u>	<u>\$ 376,356</u>	<u>\$ 377,264</u>	<u>\$ 40,593</u>

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ACTIVITY FUND - ELEMENTARY  
 JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
K. ACORD	\$ 848	\$ 584	\$ 1,288	\$ 144
D. WILSON	538	0	19	519
T. SWAFFORD	682	857	996	543
FIRST GRADE	236	0	0	236
P. TELFORD	466	883	1,033	316
H. DANKER	1,048	376	110	1,314
C. JOHNSON	761	622	847	536
J. HUMPHREY	387	11,564	10,634	1,317
FOURTH GRADE	35	390	424	1
L. LEEP	139	0	0	139
J. WALL	4	741	993	(248)
C. SIRES	194	481	655	20
L. DARPHIN	37	0	0	37
R. SHIREY	194	381	766	(191)
D. HALL	303	520	908	(85)
MISC.	3,648	13,511	10,407	6,752
J. COPE	287	0	183	104
SPEC. ED.	50	0	0	50
R. BUCKLEY	503	1,819	1,978	344
M. MCCORKLE	203	585	730	58
D. THREET	1,433	397	597	1,233
A. TIPTON	116	0	0	116
3 <sup>RD</sup> GRADE	50	0	0	50
D. CARROLL	509	1,347	1,441	415
SP. PATH.	<u>443</u>	<u>0</u>	<u>0</u>	<u>443</u>
 TOTAL ELEMENTARY	 <u>\$ 13,114</u>	 <u>\$ 35,058</u>	 <u>\$ 34,009</u>	 <u>\$ 14,163</u>
 <u>COMBINED</u>				
HIGH SCHOOL	\$ 41,501	\$ 376,356	\$ 377,264	\$ 40,593
ELEMENTARY	<u>13,114</u>	<u>35,058</u>	<u>34,009</u>	<u>14,163</u>
 TOTAL ACTIVITY FUNDS	 <u>\$ 54,615</u>	 <u>\$ 411,414</u>	 <u>\$ 411,273</u>	 <u>\$ 54,756</u>

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FEDERAL AWARDS EXPENDED  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through	Federal Grantor's	Approved Balance at		Balance at			
<u>Grantor/Program Title</u>	<u>CFDA#</u>	<u>Number</u>	<u>Amount</u>	<u>July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures*</u>	<u>June 30, 2011</u>
U.S. Department of Education							
Direct Programs							
Title VII	84.060		\$ -	\$ -	\$ 22,931	\$ 22,963	\$ -
Passed Through State							
Department of Education							
Title 1/Basic	84.010		-	-	90,593	109,548	-
IDEA-Part B	84.027		-	-	129,236	129,280	-
Preschool IDEA - Part B	84.173		-	-	2,440	2,440	-
Title IV, Part A Drug Free	84.186		-	-	546	2,108	-
Title IV, Part B	84.287		-	-	-	-	-
Title II, Part D	84.318X		-	-	677	348	-
Title II, Part A	84.367		-	-	10,402	-	-
ARRA, Title I	84.389		-	-	18,219	11,041	-
ARRA IDEA, Part B	84.391		-	-	86,694	100,489	-
ARRA, Preschool	84.392A		-	-	822	339	-
ARRA, Education Stablization	84.394		-	-	127,442	140,747	-
ARRA, Governmental Serv Fund	84.397		-	-	-	2,168	-
Title VI, Part B	84.358B		-	-	1,013	13,332	-
Title VI, Subpart 2	84.358A		-	-	-	1,340	-
Education Jobs Fund	84.410		-	-	-	109,108	-
Total Passed Through							
State Dept. of Educ.			-	-	468,084	622,280	-
Total U.S. Dept. Of Education							
			-	-	491,015	645,251	-
U.S. Dept of Health & Human							
Services Passed Through							
Okla. Health Care Authority							
Medical Assistance Program	93.778		-	-	16,892	-	-
U.S. Dept. Of Agriculture							
Passed Through State							
Department of Education							
School Breakfast Program	10.553		-	-	47,870	47,870*	-
School Lunch Program	10.555		-	-	134,590	134,590*	-
Special Needs Program	10.556		-	-	6,071	6,071	-
Passed Through State Dept.							
Of Human Services							
Child Nutrition Cluster							
Non-Cash Asst. (Commodities)	10.555		-	-	14,392	14,392	-
Total U.S. Department Of Agriculture							
			-	-	202,923	202,923	-
Total Expenditures Of Federal Awards							
			\$ -	\$ -	\$ 710,830	\$ 848,174	\$ -

Note 1 - \* Represents federal share of expenditures only.

Note 2 - Commodities received in the amount of \$14,392 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule is prepared using the regulatory basis of accounting described in Note 1C.

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

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 STATEMENT OF STATUTORY, FIDELITY, AND HONESTY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Bond Type</u>	<u>Bonding Company</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Effective Date</u>
Surety/Treasurer	Ohio Casualty	5077698	\$ 100,000	07/03/10 - 07/03/11
Surety/Activity	Western Surety	70209000	\$ 10,000	11/21/09 - 11/21/10
Surety/Activity	Western Surety	68825706	\$ 31,000	02/17/10 - 02/17/11
Surety/Nutrition	Western Surety	69121909	\$ 2,000	02/07/10 - 02/07/11
Surety/Clerk	Western Surety	70218117	\$ 41,000	01/01/10 - 01/01/11
Surety/Supt.	Western Surety	70756953	\$ 100,000	07/01/10 - 07/01/11
Surety/Activity	Western Surety	70209000	\$ 10,000	11/21/10 - 11/21/11
Surety/Nutrition	Western Surety	69121909	\$ 2,000	02/09/11 - 02/08/12
Surety/Activity	Western Surety	68825706	\$ 31,000	02/17/11 - 02/17/12
Surety/Clerk	Western Surety	70218117	\$ 41,000	01/01/11 - 01/01/12

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

To the Board of Education  
Wellston School District No. I-4  
Lincoln County  
Wellston, Oklahoma

I have audited the regulatory basis financial statements of Wellston School District No. I-4, Lincoln County, Oklahoma as of and for the year ended June 30, 2011, and have issued my report thereon dated November 7, 2011 which did not include the General Fixed Assets Account Group. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wellston School District No. I-4, Lincoln County, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wellston School District No. I-4, Lincoln County, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Wellston School District No. I-4, Lincoln County, Oklahoma'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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wellston School District No. I-4, Lincoln County, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
November 7, 2011

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

To the Honorable Board of Education  
Independent School District No. I-4  
Wellston, Lincoln County, Oklahoma

Compliance

I have audited the compliance of Independent School District No. I-4, Lincoln County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Independent School District No. I-4, Lincoln County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Independent School District No. I-4, Lincoln County, Oklahoma's management. My responsibility is to express an opinion on Independent School District No. I-4, Lincoln County, Oklahoma's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No I-4, Lincoln County, Oklahoma's compliance with those requirements and performing such other procedures as I considered necessary in the circumstance. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Independent School District No. I-4, Lincoln County, Oklahoma's compliance with those requirements.

In my opinion, Independent School District No. I-4, Lincoln County, Oklahoma, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

The management of Independent School District No. I-4, Lincoln County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Independent School District No. I-4, Lincoln County, Oklahoma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Wellston School District No. I-4, Lincoln County, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis such that there is more than a remote likelihood that a misstatement of Wellston School District No. I-4, Lincoln County, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by Wellston School District No. I-4, Lincoln County, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information of management, Board of Education, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ralph Osborn  
Certified Public Accountant  
Wellston, Oklahoma  
November 7, 2011

WELLSTON SCHOOL DISTRICT NO. I-4  
 LINCOLN COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2011

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified on regulatory  
Basis of accounting

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No  
 Significant deficiency identified that is  
 not considered to be material weakness(es)?  Yes  None Reported

Noncompliance material to financial  
 statements noted?  Yes  No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified?  Yes  No  
 Significant deficiency identified that is  
 not considered to be material weakness(es)?  Yes  None Reported

Type of auditor's report issued on compliance  
 to major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with section  
 510(a) of Circular A-133  Yes  No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.394</u>	<u>ARRA, Education Stabilization</u>

Dollar threshold used to distinguish  
 between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

Section II - FINANCIAL STATEMENT FINDINGS

There were no items noted.

Section III - FEDERAL AWARD PROGRAM FINDINGS

There were no items noted.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

There were no prior year audit findings.

WELLSTON SCHOOL DISTRICT NO. I-4  
LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
July 1, 2010 TO JUNE 30, 2011

State of Oklahoma     )  
County of Creek        )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that 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 Wellston School District No. I-4 for the audit year 2010-2011.

\_\_\_\_\_  
Ralph Osborn, CPA  
Auditing Firm

By *Ralph Osborn*  
Authorized Agent

Subscribed and sworn to before me  
on this 7<sup>th</sup> day of November 2011.

*Shannon Holderfield*  
Notary Public

My commission expires on:

9<sup>th</sup> day of April, 2012

My commission number:

08004053

