

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Cleora School District No. D-6  
Delaware County, Oklahoma  
June 30, 2014**

**TURNER & ASSOCIATES, PLC**  
Certified Public Accountants  
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**Cleora School District No. D-6  
Delaware County, Oklahoma  
School District Officials  
June 30, 2014**

**Board of Education**

President	Billy Jarvis
Vice-President	Rick Winfrey
Clerk	Ryan Bagby

**Superintendent of Schools**

Tim Carson

**School District Treasurer**

Nancy Newcomb

**Minute Clerk**

Nancy Newcomb

**Encumbrance Clerk**

Lynelle Pilkinton

**Cleora School District No. D-6  
Delaware County, Oklahoma  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Cleora School District No. D-6  
Cleora, Delaware County, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund-regulatory basis of the Cleora School District No. D-6, Delaware County, Oklahoma (District), as of and for the year ended June 30, 2014, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1, the financial statements are prepared by the Cleora School District, No. D-6, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cleora School District, No. D-6, Cleora, Delaware County, Oklahoma, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position – regulatory basis of the governmental activities and each major fund of the Cleora School District, No. D-6, Cleora, Delaware County, Oklahoma, as of June 30, 2014, and the respective changes in financial position – regulatory basis for the year then ended on the regulatory basis of accounting described in Note 1.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and notes on pages 6-13 and 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the District’s basic financial statements. The budgetary comparison information is presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Oklahoma State Department of Education.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and o the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion schedule of expenditures of federal awards are fairly stated in all material aspects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* we have also issued our report dated October 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 in considering the District's internal control over financial reporting and compliance.

TURNER & ASSOCIATES, PLLC

Vinita, Oklahoma  
October 31, 2014



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

The Honorable Board of Education  
Cleora School District No. D-6  
Cleora, Delaware County, Oklahoma

We have audited, in accordance with the 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, the accompanying financial statements of the governmental activities and each major fund – regulatory basis of the Cleora School District No. D-6, Delaware County, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District’s financial statements, and have issued our report thereon dated October 31, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Government Accounting Standards Board.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

TURNER & ASSOCIATES, PLC

Vinita, Oklahoma  
October 31, 2014



**Cleora School District No. D-6  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2014**

Our discussion and analysis of Cleora School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements which begin on page 14.

**DISTRICT HIGHLIGHTS**

- The District's net position increased by \$328,293 as a result of this year's operations, compared with an increase of \$197,797 in the previous year.
- Revenues were up in total by \$138,928 or 7.1% from the previous fiscal year, our expenditures went up by \$8,432, or less than 1% from the previous fiscal year.
- Enrollment was up slightly this year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements.

The district-wide reports are designed to show the District as a sum of its significant fund activities. The Statement of Net Position and Statement of Activities (pages 14-15) provide information about the governmental-type activities of the whole District, presenting both an aggregate view of the School District finances and a longer-term view of those finances.

Fund financial statements (pages 16-18) provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Cleora School District, all funds are considered to be significant.

The remaining Fiduciary Fund Statements (page 19) provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of others (student groups) to whom the resources in question belong.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Reporting the District as a Whole**

*Statement of Net Position and Statement of Activities*

Our analysis of the District as a whole begins on page 9. The view of the District as a whole looks at all financial transactions and asks the questions, "Is the District better off or worse off as a result of this year's activities?" and "Why or Why not?" The Statement of Net Position and the Statement of Activities provide information about the District as a whole and about its activities in a way that helps answer these questions. The statements include *assets* and *liabilities* using the regulatory basis of accounting similar to the accounting used in the Fund Financial Statements.

These two statements report the District's *net position* and any changes in the net position. The change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. The causes of the change in net position may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Oklahoma, facility conditions, required educational programs and other factors.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of its students.

In the Statement of Net Position and the Statement of Activities, the District is comprised entirely of governmental activities. All of the school's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2014**

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

Our analysis of the District's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information about the District's most significant funds.

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a modified accrual basis of accounting. This basis of accounting measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements of the *Governmental Funds*.

**The District as Trustee**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in the Changes in Fiduciary Net Assets on page 19. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**THE DISTRICT AS A WHOLE**

The District's Net Position is reported in the Statement of Net Position on page 14.

The District's total net position was \$2,768,736 of June 30, 2014. Table 1 provides a comparative summary schedule of net position.

Table 1  
Summary of Net Position

	June 30, 2014	June 30, 2013	Differences	
Current Assets	\$ 2,340,051	\$ 2,025,542	\$ 314,509	13%
Capital Assets, net of Accumulated Depreciation	449,840	423,101	26,739	6%
Total Assets	<u>2,789,891</u>	<u>2,448,643</u>	<u>341,248</u>	<u>12%</u>
 Total Liabilities	 <u>21,155</u>	 <u>8,200</u>	 <u>(12,955)</u>	 <u>-61%</u>
 Net Investment in Capital Assets	 449,840	 423,101	 26,739	 6%
Net Assets, Restricted	272,839	227,078	45,761	17%
Unrestricted	<u>2,046,057</u>	<u>1,790,264</u>	<u>255,793</u>	<u>13%</u>
Total Net Position	<u>\$ 2,768,736</u>	<u>\$ 2,440,443</u>	<u>\$ 328,293</u>	<u>12%</u>

Most of the District's net position is cash. The remaining net position is a combination of restricted and unrestricted amounts. The restricted balances are amounts set aside by management for specific purposes as planned by the District or required by law.

The net position of the District increased by \$328,293 or 12%. This increase is comprised of an increase of \$26,739 in net investment in capital assets; and an increase of \$255,793 in unrestricted net assets - the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements. Restricted net assets increased by \$45,761.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The results of this year's operations as a whole are reported in the Statement of Activities on page 15. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Districts activities that are supported by other general revenues. The largest source of general revenues is the local taxes assessed to community taxpayers.

Table 2 takes the information from that Statement and rearranges it slightly.

Table 2  
Summary of Change in Net Position

	June 30, 2014	June 30, 2013	Differences	
Charges for Services	\$ 10,122	\$ 8,174	\$ 1,948	19.2%
Operating Grants and Contributions	113,102	105,003	8,099	7.2%
Taxes	1,687,321	1,564,649	122,671	7.3%
State Aid - Formula Grants	117,186	108,264	8,922	7.6%
Investment Earnings	20,779	18,277	2,502	12.0%
Other Revenues	10,812	16,026	(5,214)	-48.2%
<b>Total Revenues</b>	<b>1,959,322</b>	<b>1,820,394</b>	<b>138,928</b>	<b>7.1%</b>
Instruction	903,266	954,699	(51,433)	-5.7%
Support Services	579,066	520,435	58,631	10.1%
Non-Instruction Services	108,929	117,562	(8,633)	-7.9%
Other Outlays	6,307	-	6,307	100.0%
Unallocated Depreciation Expense	33,461	29,901	3,560	10.6%
<b>Total Expenses</b>	<b>1,631,029</b>	<b>1,622,597</b>	<b>8,432</b>	<b>0.5%</b>
<b>Total Increase in Net Position</b>	<b>\$ 328,293</b>	<b>\$ 197,797</b>	<b>\$ 130,496</b>	<b>39.7%</b>

Taxes made up 86% of total revenues for Cleora School District in fiscal year 2013-2014 while Operating Grants, including Federal Funds, provided 6% of revenues.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2014**

**THE DISTRICT'S FUNDS**

The District's governmental funds are accounted for using the regulatory basis of accounting. All governmental funds had total revenues of \$1,959,322 and expenditures of \$1,657,768 for the year ended June 30, 2014. The overall net increase in fund balances of \$301,554 is comprised of an increase in the General Fund balance of \$248,316; an increase in the Building Fund balance of \$37,884; and an increase in the Child Nutrition Fund balance of \$15,354.

**General Fund Budgetary Highlights**

The District's budget is prepared according to Oklahoma law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the fiscal year, the Board of Education (The Board) authorizes revisions to the original budget if necessary to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on pages 32-34.

In the General Fund, actual revenues were \$181,648 more than budgeted and actual expenditures were \$1,864,409 less than budgeted, resulting in a general fund balance carryover of \$2,046,057.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, the District had \$837,578 invested in a broad range of capital assets, including land, building, busses and equipment. A 2009 used Bluebird bus was purchased for \$52,000 during the year. Construction on the kitchen remodel was completed during the 2013-2014 year.

**Debt Administration**

As of June 30, 2014 there were no capital lease obligations outstanding.

The State limits the amount of general obligation debt that school districts can issue to 10% of the assessed value of all taxable property within the District's corporate limits. At June 30, 2014, the District's total bonding capacity was \$3,902,760 with no bonds outstanding for a net bonding capacity of \$3,902,760.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2014**

**THE FUTURE OF THE DISTRICT**

The Board of Education and management considered many factors when setting the fiscal year June 30, 2015 budget, including economic trends and issues, trends in residential growth, student enrollment trends, State of Oklahoma funding issues, and known information about Federal grants.

Our Estimate of Needs for General Fund for the year ended June 30, 2015 is \$3,606,563.

If revenue estimates are realized, we expect to maintain our General Fund balance at the same level as we ended the current fiscal year.

- In the upcoming year, we plan to continue evaluating which projects should be undertaken.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at Cleora School District, 451358 E. 295 Road, Afton, OK 74331-8113.



**Cleora School District No. D-6**  
**Statement of Net Position (Regulatory Basis)**  
**For the Year Ended June 30, 2014**

**ASSETS**

Cash and Cash Equivalents	\$ 2,240,051.05
Invesments	100,000.00
Capital Assets:	
Land	15,000.00
Depreciable buildings, property and equipment net of depreciation	434,839.79
<b>TOTAL ASSETS</b>	<u>2,789,890.84</u>

**LIABILITIES**

Warrants Payable	<u>21,155.03</u>
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**NET POSITION**

Net Investment in Capital Assets	449,839.79
Restricted	272,838.71
Unrestricted	2,046,057.31
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,768,735.81</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Cleora School District No. D-6**  
**Statement of Activities and Changes in Net Position (Regulatory Basis)**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 903,266.44	\$ -	\$ 76,837.05	\$ -	\$ (826,429.39)
Support Services					
Students	40,303.59	-	-	-	(40,303.59)
Instructional Staff	42,495.47	-	-	-	(42,495.47)
General Administration	133,539.08	-	-	-	(133,539.08)
School Administration	32,016.30	-	-	-	(32,016.30)
Business	99,840.61	-	-	-	(99,840.61)
Operation and Maintenance of Plant	175,950.66	-	-	-	(175,950.66)
Student Transportation	54,920.29	-	-	-	(54,920.29)
Non-Instruction Services					-
Child Nutrition Programs	108,928.63	10,121.65	36,265.62	-	(62,541.36)
Other Outlays	6,307.26	-	-	-	(6,307.26)
Unallocated Depreciation Expense	33,461.21	-	-	-	(33,461.21)
<b>Total Governmental Activities</b>	<u>\$ 1,631,029.54</u>	<u>\$ 10,121.65</u>	<u>\$ 113,102.67</u>	<u>\$ -</u>	<u>(1,507,805.22)</u>
<b>General Revenues:</b>					
Taxes					
Property Taxes					1,639,926.91
Other Taxes					47,394.02
State Aid - Formula Grants					117,185.91
Investment Earnings					20,778.85
Miscellaneous					8,647.95
Reimbursements					2,164.22
<b>Total General Revenues</b>					<u>1,836,097.86</u>
<b>Change in Net Position</b>					328,292.64
<b>Net Position, Beginning</b>					<u>2,440,443.17</u>
<b>Net Position, Ending</b>					<u>\$ 2,768,735.81</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Cleora School District No. D-6**  
**Balance Sheet-Governmental Funds (Regulatory Basis)**  
**For the Year Ended June 30, 2014**

	General Fund	Special Revenue		Total Governmental Funds
		Building Fund	Child Nutrition Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,966,915.99	\$ 217,241.96	\$ 55,893.10	\$ 2,240,051.05
Investments	100,000.00	-	-	100,000.00
<b>Total Assets</b>	<b>\$ 2,066,915.99</b>	<b>\$ 217,241.96</b>	<b>\$ 55,893.10</b>	<b>\$ 2,340,051.05</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Warrants Payable	\$ 20,858.68	\$ 296.35	\$ -	\$ 21,155.03
<b>Fund Balance:</b>				
Restricted to:				
Building Fund	-	216,945.61	-	216,945.61
Child Nutrition Fund	-	-	55,893.10	55,893.10
Unassigned	2,046,057.31	-	-	2,046,057.31
<b>Total Fund Balance</b>	<b>2,046,057.31</b>	<b>216,945.61</b>	<b>55,893.10</b>	<b>2,318,896.02</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,066,915.99</b>	<b>\$ 217,241.96</b>	<b>\$ 55,893.10</b>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$837,578.23 and the accumulated depreciation is \$387,738.44 for a net book value of \$449,839.79

449,839.79

Net Position of Governmental Activities

\$ 2,768,735.81

**Cleora School District No. D-6**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds (Regulatory Basis)**  
**For the Year Ended June 30, 2014**

	General Fund	Special Revenue		Total Governmental Funds
		Building Fund	Child Nutrition Fund	
<b>Revenues:</b>				
Local Sources	\$ 1,442,252.24	\$ 204,908.11	\$ 10,121.65	\$ 1,657,282.00
Intermediate Sources	28,531.53	-	-	28,531.53
State Sources	159,429.79	-	976.19	160,405.98
Federal Sources	76,837.05	-	36,265.62	113,102.67
Total Revenues	<u>1,707,050.61</u>	<u>204,908.11</u>	<u>47,363.46</u>	<u>1,959,322.18</u>
<b>Expenditures:</b>				
Instruction	903,266.44	-	-	903,266.44
Support Services	474,963.86	164,302.14	-	639,266.00
Non-Instruction Services	76,918.83	-	32,009.80	108,928.63
Other Outlays	3,585.45	2,721.81	-	6,307.26
Total Expenditures	<u>1,458,734.58</u>	<u>167,023.95</u>	<u>32,009.80</u>	<u>1,657,768.33</u>
<b>Excess (Deficit) of Revenues</b>				
Over (Under) Expenditure:	248,316.03	37,884.16	15,353.66	301,553.85
<b>Cash Fund Balance</b>				
Beginning of Year	<u>1,797,741.28</u>	<u>179,061.45</u>	<u>40,539.44</u>	<u>2,017,342.17</u>
<b>Cash Fund Balance</b>				
End of Year	<u>\$ 2,046,057.31</u>	<u>\$ 216,945.61</u>	<u>\$ 55,893.10</u>	<u>\$ 2,318,896.02</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Cleora School District No. D-6**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the District Wide Statement of Activities (Regulatory Basis)**  
**For the Year Ended June 30, 2014**

Excess of Revenues Collected Over Expenditures Paid - Governmental Funds	\$	301,553.85
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the district wide statements, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Payments on capitalized lease obligations are included in capital outlay expenditures in the governmental funds. The principal portion of these payments is reported as a reduction of liabilities in the district wide statements, while the interest portion of these lease payments is an expenditure.

Depreciation expense	\$	(33,461.21)	
Construction in Progress		8,200.00	
Capital Outlay Expenditures		<u>52,000.00</u>	<u>26,738.79</u>

Change in Net Position of Governmental Activities	\$	<u><u>328,292.64</u></u>
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**Cleora School District No. D-6**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	School Activity Funds			
	Balance			Balance
	July 1, 2013	Receipts	Disbursements	June 30, 2014
<b>Assets</b>				
Cash, District-Wide	\$ 16,554.10	\$ 18,789.88	\$ 24,561.50	\$ 10,782.48
<b>Liabilities</b>				
Due to student groups:				
District-Wide:				
8th Grade	\$ 12,422.60	\$ 18,789.88	\$ 24,248.50	\$ 6,963.98
Lundy Athletic Fund	1,025.00	-	228.00	797.00
Brewster Fund	115.00	-	-	115.00
Athletic Department	178.49	-	85.00	93.49
Nature Trail	2,813.01	-	-	2,813.01
<b>Total Liabilities</b>	<b>\$ 16,554.10</b>	<b>\$ 18,789.88</b>	<b>\$ 24,561.50</b>	<b>\$ 10,782.48</b>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies**

The accompanying financial statements of the Cleora School District, No. D-6, Delaware County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

**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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

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

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)**

The District uses funds and account groups to report its assets, liabilities and equities and its revenue and expenditures. Fund accounting is designated 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 resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

The District has the following fund types:

**Governmental Fund Types** - are used to account for most of the District’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

Governmental fund types include the following funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs.

Special Revenue Funds - The special revenue funds account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund, Child Nutrition Fund, and Insurance Recovery Fund. These are budgeted funds and any fund balances are considered as resources available for use.

Building Fund - The Building Fund consists mainly of monies derived from 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 school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.



**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)**

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 operations of the school cafeteria.

**Fiduciary Fund Types** - are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Fiduciary fund types include the following funds:

Agency Fund - The Agency Fund is custodial in nature and does not present results of operations. Agency Funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fund raising efforts of the students and District-sponsored groups. This is not a budgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

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.

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.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**1. Deposits and Investments**

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

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

**2. Fair Value of Financial Instruments**

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

**3. Estimates**

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

**4. Interfund Transactions**

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

**5. Inventories**

The value of consumable inventories at June 30, 2014, is not material to the financial statements. Acquisitions are considered expenditures at the time of purchase and are not recorded for financial statement purposes.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**6. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the District-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements (15-80 years); transportation equipment (5-15 years); equipment (5-15 years).

**7. Long-Term Obligations**

In the District-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities. In the Fund Financial Statements, the face amount of debt issues is reported as revenues while principal and interest payment on debt are recorded as expenditures. The District has no bonds outstanding.

**8. Property Taxes and Other Local Revenues**

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. 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is 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 assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)**

**9. Intermediate Revenues**

Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

**10. State Revenues**

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

**11. Federal Revenues**

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of federal revenues received by the District are apportioned to the general fund. The district maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

**12. Net Position/Fund Balances**

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)**

**12. Net Position/Fund Balances (continued)**

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

*Restricted* fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

*Committed* fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The District's Board of Education is the highest level of decision making authority of the District.

*Assigned* fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**13. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the District considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The District is required by state law to prepare an annual budget. An annual Estimate of Needs is approved by the Board in September, filed with the County Clerk and approved by the County Excise Board. Supplemental appropriations are made during the year. The District's budget is prepared on a basis of accounting prescribed by the Oklahoma Department of Education which conforms to the system of accounting authorized by the State of Oklahoma. This regulatory basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**B. Encumbrance Accounting**

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

**III. Detailed Notes Concerning the Funds**

**A. Custodial Credit Risk**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. At June 30, 2014, none of the District's deposits were exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**B. 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. The District has no long-term debt at this time.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**III. Detailed Notes Concerning the Funds (continued)**

**B. Changes in Capital Assets**

Capital asset activity for the year was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Not Depreciated</b>				
Land	\$ 15,000.00	\$ -	\$ -	\$ 15,000.00
Construction in Progress	14,036.59	8,200.00	(22,236.59)	-
Total Nondepreciable assets	<u>29,036.59</u>	<u>8,200.00</u>	<u>(22,236.59)</u>	<u>15,000.00</u>
<b>Depreciable Assets</b>				
Buildings and Improvements	495,925.72	22,236.59	-	518,162.31
Transportation Equipment	182,119.00	52,000.00	-	234,119.00
Equipment & Software	70,296.92	-	-	70,296.92
Total Depreciable Assets	748,341.64	74,236.59	-	822,578.23
Accumulated Depreciation	(354,277.23)	(33,461.21)	-	(387,738.44)
Net Depreciable Assets	<u>394,064.41</u>	<u>40,775.38</u>	<u>-</u>	<u>434,839.79</u>
Net Capital Assets	<u>\$ 423,101.00</u>	<u>\$ 48,975.38</u>	<u>\$ (22,236.59)</u>	<u>\$ 449,839.79</u>

**IV. Other Information**

**A. Risk Management**

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

The District also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**IV. Other Information (continued)**

**A. Risk Management (continued)**

fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the District's losses for the last five years. OSAG provides coverage in excess of the loss fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

**B. Contingent Liabilities**

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

**C. Non-Monetary Transactions**

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$3,535.58.

**D. Employee Retirement System and Plan**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is cost-sharing, multiple-employer defined benefit public employee retirement system (PERS) 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, 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.



**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**IV. Other Information (continued)**

**D. Employee Retirement System and Plan (continued)**

Funding Policy

The District, the State of Oklahoma, and the participating employee may make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. The District and State are required to contribute 11.5% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 7.05% during this year. The combined state and local rate will stabilize at 14.05%. The District is allowed by the 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 total contributions for 2014, 2013 and 2012 were \$93,995, \$91,035 and \$80,916, respectively.

Schedule of Funding Progress (dollars in millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
6/30/2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
6/30/2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
6/30/2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
6/30/2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
6/30/2008	9,256.8	18,346.9	9,090.1	50.5%	3,741.4	242.3%
6/30/2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
6/30/2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
6/30/2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	201.4%
6/30/2012	10,190.5	18,588.0	8,397.6	54.8%	3,924.8	214.0%
6/30/2013	10,861.1	18,973.2	8,112.1	57.2%	3,933.1	203.3%

Note: Dollar amounts in millions

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**IV. Other Information (continued)**

**E. Surety Bonds**

The Superintendent is bonded by Travelers Casualty and Surety Company, bond number 106126095, for the sum of \$100,000 for the term July 1, 2013 to July 1, 2014.

The Treasurer is bonded by Western Surety Company, bond number 71294900, for the sum of \$50,000 for the term July 1, 2013 to July 1, 2014.

The Encumbrance Clerk/Activity Fund Custodian/Minutes Clerk is bonded by Western Surety Company, bond number 71296893, for the sum of \$3,000 each for the July 5, 2013 to July 5, 2014.

**F. Subsequent Events**

Management has evaluated subsequent events through October 31, 2014 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**G. Change in Accounting Principle**

Due to the conversion from generally accepted accounting principle (GAAP) to the regulatory basis as prescribed by the Oklahoma State Department of Education in the 2013-2014 fiscal year the beginning balance of the General Fund of \$1,856,061.28 was reduced by taxes receivable in the amount of \$55,700.87, due from other governments in the amount of \$2,619.13 to \$1,797,741.28 or a net decrease of \$58,320.00.

The Building Fund beginning balance of \$186,537.99 was reduced by taxes receivable in the amount of \$7,476.54 to \$179,061.45.

The Government-wide beginning net position of \$2,506,239.71 was decreased by \$65,796.54 due to the above changes to \$2,440,443.17.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues Collected:					
Local Sources	\$ 1,278,669.30	\$ 1,278,669.30	\$ 1,442,252.24	\$ -	\$ 163,582.94
Intermediate Sources	23,620.93	23,620.93	28,531.53	-	4,910.60
State Sources	148,865.99	148,865.99	159,429.79	-	10,563.80
Federal Sources	74,246.31	74,246.31	76,837.05	-	2,590.74
Total Revenues Collected	1,525,402.53	1,525,402.53	1,707,050.61	-	181,648.08
Expenditures Paid:					
Instruction	1,736,835.81	1,686,377.26	903,266.44	(50,458.55)	783,110.82
Support Services	1,426,800.00	1,474,800.00	474,963.86	48,000.00	999,836.14
Non-Instruction Services	158,506.70	158,506.70	76,918.83	-	81,587.87
Capital Outlay	1,000.00	1,000.00	-	-	1,000.00
Other Outlays	-	2,458.55	3,585.45	2,458.55	(1,126.90)
Other Uses	-	-	-	-	-
Total Expenditures Paid	3,323,142.51	3,323,142.51	1,458,734.58	(0.00)	1,864,407.93
Excess (Deficit) of Revenues Collected Over (Under)					
Expenditures Paid	(1,797,739.98)	(1,797,739.98)	248,316.03	-	2,046,056.01
Cash Fund Balance Beginning of Year	1,797,739.98	1,797,739.98	1,797,739.98	-	-
Cash Fund Balance End of Year	\$ -	\$ -	\$ 2,046,056.01	\$ -	\$ 2,046,056.01

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - Building Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues Collected:					
Local Sources	\$ 182,915.36	\$ 182,915.36	\$ 204,908.13	\$ -	\$ 21,992.77
Expenditures Paid:					
Support Services	361,976.79	359,254.98	164,302.14	(2,721.81)	194,952.84
Other Uses	-	2,721.81	2,721.81	2,721.81	-
	<u>361,976.79</u>	<u>361,976.79</u>	<u>167,023.95</u>	<u>-</u>	<u>194,952.84</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(179,061.43)	(179,061.43)	37,884.18	-	216,945.61
Cash Fund Balance Beginning of Year	<u>179,061.43</u>	<u>179,061.43</u>	<u>179,061.43</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 216,945.61</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 216,945.61</u></u>

Unaudited

**Cleora School District No. D-6**  
**Delaware County, Oklahoma**  
**Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - Child Nutrition Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues Collected:					
Local Sources	\$ 7,356.60	\$ 7,356.60	\$ 10,121.65	\$ -	\$ 2,765.05
State Sources	762.42	762.42	976.19		213.77
Federal Sources	29,326.58	29,326.58	36,265.62		6,939.04
Total Revenues Collected	<u>37,445.60</u>	<u>37,445.60</u>	<u>47,363.46</u>	<u>-</u>	<u>9,917.86</u>
Expenditures Paid:					
Support Services	1,000.00	-	-	(1,000.00)	-
Total Expenditures Paid	<u>76,985.04</u>	<u>77,985.04</u>	<u>32,009.80</u>	<u>1,000.00</u>	<u>45,975.24</u>
	<u>77,985.04</u>	<u>77,985.04</u>	<u>32,009.80</u>	<u>-</u>	<u>45,975.24</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(40,539.44)	(40,539.44)	15,353.66	-	55,893.10
Cash Fund Balance Beginning of Year	<u>40,539.44</u>	<u>40,539.44</u>	<u>40,539.44</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,893.10</u>	<u>\$ -</u>	<u>\$ 55,893.10</u>

Unaudited

**OTHER SUPPLEMENTARY INFORMATION**

**Cleora School District No. D-6**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2013</u>	<u>Receipts</u>	<u>Federal Expenditures</u>	<u>Receivables / (Payables) Balance at June 30, 2014</u>
<b>U.S. Department of Education</b>							
<i>Direct Programs:</i>							
Title VII, Part A - Indian Education	84.060	561	\$ 9,191.00	\$ -	\$ 9,191.00	\$ 9,191.00	\$ -
<i>Passed Through State Department of Education:</i>							
Title I, Part A - Improving Basic Programs	84.010	511	26,114.38	372.45	26,486.83	26,114.38	-
IDEA-B	84.027	621	21,404.04	-	21,105.50	21,105.50	-
IDEA-B Preschool	84.173	641	125.47	-	125.47	125.47	-
Title VI, Part B, REAP	84.358B	586	3,847.25	-	3,847.25	3,847.25	-
Title VI, Subpart 1 - SRSAG	84.358A	588	16,081.00	-	16,081.00	16,081.00	-
<b>Total U.S. Department of Education</b>			<u>\$ 76,763.14</u>	<u>\$ 372.45</u>	<u>\$ 76,837.05</u>	<u>\$ 76,464.60</u>	<u>\$ -</u>
<b>U.S. Department of Agriculture</b>							
<i>Passed Through State Department of Education:</i>							
National School Breakfast Program	10.553	764	N/A	-	10,345.50	10,345.50	-
National School Lunch Program	10.555	763	N/A	-	25,920.12	19,331.20	(6,588.92)
<i>Passed Through Department of Health &amp; Human Services</i>							
Commodities - Note B	10.550	385	\$ N/A	\$ -	\$ 3,535.58	\$ 3,535.58	\$ -
<b>Total U.S. Department of Agriculture</b>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,801.20</u>	<u>\$ 33,212.28</u>	<u>\$ (6,588.92)</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 76,763.14</u>	<u>\$ 372.45</u>	<u>\$ 116,638.25</u>	<u>\$ 109,676.88</u>	<u>\$ (6,588.92)</u>

**Note A** - This schedule was prepared on the accrual basis of accounting. The information in this schedule is presented in Accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B** - Food Distribution: Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.



**Cleora School District No. D-6  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For the Year Ended June 30, 2014**

State of Oklahoma )  
  )ss  
County of Delaware )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Cleora Public Schools for the audit year 2013-2014.

Turner & Associates, PLC

\_\_\_\_\_  
Auditing Firm

by       *Brit W. Turner*        
  Authorized Agent

Subscribed and sworn to before me this 31<sup>st</sup> day of October, 2014.

*Shirley J. Turner*  
Notary Public (or Clerk or Judge)  
#02001872  
Expires: 3-5-2018



**Cleora School District No. D-6  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an adverse opinion on the basic financial statements-regulatory basis in conformity with generally accepted accounting principles and an unqualified opinion on the governmental activities and the major funds in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No deficiencies were disclosed during the audit of the financial statements are reported in the Schedule of Findings and Responses.
3. No instances of noncompliance material to the financial statements of CleoraSchool District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

**Cleora School District No. D-6  
Delaware County, Oklahoma  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014**

**PRIOR AUDIT FINDINGS**

None.