

**Financial Statements and Reports of
Independent Certified Public Accountant
Fairland School District No. I-31
Ottawa County, Oklahoma
June 30, 2014**

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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**Fairland School District No. I-31
Ottawa County, Oklahoma
School District Officials
June 30, 2014**

Board of Education

President	Ray Davis
Vice-President	Chuck Stotts
Clerk	Angela Goodman
Member	Casey Bowers
Member	Lavina Cox

Superintendent of Schools

Mark Alexander

School District Treasurer

Shelly Dorey

Minute Clerk

Candi Anderson

Encumbrance Clerk

Candi Anderson

Fairland School District No. I-31
Ottawa County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Fairland School District No. I-31
Fairland, Ottawa County, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements – regulatory basis of the governmental activities, each major fund and the remaining aggregate fund information of the Fairland School District No. I-31, Ottawa 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 Fairland School District, No. I-31, 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 Fairland School District, No. I-31, Fairland, Ottawa 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, each major fund, and the remaining aggregate fund information of the Fairland School District, No. I-31, Fairland, Ottawa County, Oklahoma, as of June 30, 2014, and the respective changes in financial position – regulatory basis for the year then ended on the regulator 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 8-15 and page 39 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 combined statements – regulatory basis are 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 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 financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are 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, the combining statements – regulatory basis and the 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 November 19, 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
November 19, 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
Fairland School District No. I-31
Fairland, Ottawa 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 basic financial statements – regulatory basis of the governmental activities, each major fund and the remaining aggregate fund information of the Fairland School District No. I-31, Ottawa 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 November 19, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2014-01.

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*.

Fairland School District's Response to Findings

The Fairland School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Fairland School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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, PLLC

Vinita, Oklahoma
November 19, 2014



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

The Honorable Board of Education
Fairland School District No. I-31
Fairland, Ottawa County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Fairland School District No. I-31, Ottawa County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fairland School District No. I-31, Ottawa County, Oklahoma's major federal programs for the year ended June 30, 2014. Fairland School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fairland School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fairland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fairland School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fairland School District complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

TURNER & Associates, PLLC

Vinita, Oklahoma

November 19, 2014

Fairland School District No. I-31
Ottawa County, Oklahoma
Management's Discussion and Analysis
June 30, 2014

Our discussion and analysis of Fairland 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 16.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased by \$314,765 as a result of this year's operations, compared to an increase of \$45,121 in the previous year.
- Governmental Fund revenues were up by \$149,644 in the current year to \$4,507,985, mostly due to an increase in taxes and state aid.
- The District purchased a used Bluebird Bus through a lease purchase.
- Construction in progress at the District's facilities, financed through a \$1,490,000 Capital Lease Purchase agreement with the Ottawa County Educational Facilities Authority, was completed in May of 2014. The lease will pay off in 2021.

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 16-17) 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 18-20) 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 Fairland School District, the general fund is the most significant fund.

The remaining Fiduciary Fund Statements (page 21) 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.

**Fairland School District No. I-31
Ottawa 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 11. 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 is 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.

**Fairland School District No. I-31
Ottawa 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 13. The fund financial statements begin on page 18 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 Position 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 separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 21. 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.

Fairland School District No. I-31
Ottawa 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 16.

The District's total net position was \$5,791,440 as 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	\$ 1,473,620	\$ 1,922,376	\$ (488,756)	-33.2%
Capital Assets, non-depreciable	98,151	1,588,151	(1,490,000)	-1518.1%
Capital Assets, net of depreciation	6,504,973	4,914,700	1,590,273	24.4%
Total Assets	<u>8,076,744</u>	<u>8,425,227</u>	<u>(348,483)</u>	<u>-4.3%</u>
Current Liabilities	589,910	492,366	97,544	16.5%
Noncurrent Liabilities	1,695,394	1,826,656	(131,262)	-7.7%
Total Liabilities	<u>2,285,304</u>	<u>2,319,022</u>	<u>(33,718)</u>	<u>-1.5%</u>
Net Investment in Capital Assets	4,488,601	4,290,042	198,559	4.4%
Restricted	592,008	750,283	(158,275)	-26.7%
Unrestricted	710,831	1,065,880	(355,049)	-49.9%
Total Net Position	<u>\$ 5,791,440</u>	<u>\$ 6,106,205</u>	<u>\$ (314,765)</u>	<u>-5.4%</u>

Most of the District's net position is invested in capital assets (buildings, land and equipment). 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.

Net position of the District decreased by \$314,765 or 5.4%. This decrease is comprised of an increase of \$198,559 in net investment in capital assets and construction in progress; a decrease of \$158,275 in restricted net position; and a decrease of \$355,049 in unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

UNAUDITED

Fairland School District No. I-31
Ottawa 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 19. 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 two largest general revenues are the Foundation and Salary Incentive Aid provided by the State of Oklahoma and 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	\$ 47,101	\$ 78,091	\$ (30,990)	-65.8%
Operating Grants and Contributions	641,198	570,230	70,968	11.1%
Taxes	1,190,004	1,166,668	23,336	2.0%
State Aid - Formula Grants	2,578,781	2,444,942	133,839	5.2%
Investment Earnings	1,681	2,403	(722)	-42.9%
Reimbursements	16,981	57,031	(40,050)	-235.9%
Miscellaneous	32,239	38,976	(6,737)	-20.9%
Total Revenues	4,507,985	4,358,341	149,644	3.3%
Instruction	2,816,204	2,572,202	244,002	8.7%
Support Services	1,509,261	1,267,165	242,096	16.0%
Non-Instruction Services	268,520	276,376	(7,856)	-2.9%
Capital Outlay	33,907	3,267	30,640	90.4%
Other Outlays	-	6,911	(6,911)	100.0%
Interest on Long-Term Debt	44,472	40,437	4,035	9.1%
Unallocated Depreciation Expense	150,386	146,862	3,524	2.3%
Total Expenses	4,822,750	4,313,220	509,530	10.6%
Total Increase (Decrease) in Net Position	\$ (314,765)	\$ 45,121	\$ (359,886)	114.3%

Taxes made up more than 26% of total revenues for Fairland School District in fiscal year 2014 while State Aid provided 57% of revenues. Federal and State grants increased \$70,968, and total revenues increased \$149,644.

Instruction costs saw an increase of \$244,002 more than 8% over the previous year.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Management's Discussion and Analysis
June 30, 2014**

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,747,985 and expenditures of \$5,261,309. The overall net decrease in fund balances of \$513,324 is comprised of a decrease in the General Fund balance of \$361,439, a decrease in the Capital Project Fund balance of \$155,503, and an increase in Non-Major Governmental Funds balance of \$3,618.

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 page 39.

In the General Fund, actual revenues were \$114,647 more than budgeted and actual expenditures were \$596,184 less than budgeted, resulting in a carryover of \$710,831.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Management's Discussion and Analysis
June 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$8,876,743 invested in a broad range of capital assets, including land, building, busses, furniture, equipment, and construction in progress. This amount represents a net increase of \$215,335 or more than 2% from last year due to the capital lease obligation for renovations at the District buildings.

A walkway cover was installed and a bus was purchased.

Debt Administration

At June 30, 2014, the District had \$2,114,523 in bonds and capital leases outstanding, with \$419,129 due within one year. Table 3 gives a comparative summary of debt outstanding.

Table 3
Outstanding Bond and Capital Lease Obligations

	June 30, 2014	June 30, 2013
2009 Building Bonds	\$ -	\$ 65,000
2012 Building Bonds	245,000	365,000
2013 Building Bonds	185,000	185,000
2014 Building Bonds	240,000	-
Capital Lease Obligation - WSB - Crafton	6,676	15,137
Capital Lease Obligation - Vo-Ag Building	-	12,454
Capital Lease Obligation - Show Barn	26,321	51,394
Capital Lease Obligation - Roof	-	10,387
Capital Lease Obligation - Vo-Ag Truck	12,514	18,438
Lease Purchase with Ottawa Co. Educational Facilities Authority	1,345,413	1,490,000
Capital Lease Obligation - Bluebird Bus	53,600	-
Total Outstanding Capital Lease Obligations	<u>\$ 2,114,523</u>	<u>\$ 2,212,810</u>

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 \$1,543,743 less \$670,000 in bonds outstanding for a net bonding capacity of \$873,743.

**Fairland School District No. I-31
Ottawa 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 \$4,521,752.

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

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 Fairland School District, 202 W. Washington Ave., Fairland, OK 74343-4220.

Fairland School District No. I-31
Ottawa County, Oklahoma
Statement of Net Position (Regulatory Basis)
For the Year Ended June 30, 2014

ASSETS

Cash and Cash Equivalents	\$ 1,473,620.32
Capital Assets:	
Land and construction in progress	98,151.00
Depreciable buildings, property and equipment net of depreciation	6,504,972.92
TOTAL ASSETS	<u>8,076,744.24</u>

LIABILITIES

Warrants payable	170,780.87
Leases payable currently	254,129.46
General obligation bonds payable currently	165,000.00
Long-term Liabilities	
Leases payable	1,190,393.90
General obligation bonds payable	505,000.00
TOTAL LIABILITIES	<u>2,285,304.23</u>

NET POSITION

Net Investment in Capital Assets	4,488,600.56
Restricted	592,008.31
Unrestricted	710,831.14
TOTAL NET POSITION	<u>\$ 5,791,440.01</u>

Fairland School District No. I-31
Ottawa County, Oklahoma
Statement of Activities (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	
Governmental Activities:					
Instruction	\$ 2,816,203.59	\$ 7,247.00	\$ 430,664.34	\$ -	\$ (2,378,292.25)
Support Services					
Students	181,962.59	-	-	-	(181,962.59)
Instructional Staff	151,325.63	-	-	-	(151,325.63)
General Administration	150,510.63	-	-	-	(150,510.63)
School Administration	215,998.06	-	-	-	(215,998.06)
Business	145,785.97	-	-	-	(145,785.97)
Operation and Maintenance of Plant	486,828.70	-	-	-	(486,828.70)
Student Transportation	176,849.46	-	-	-	(176,849.46)
Non-Instruction Services					
Child Nutrition Programs	268,520.03	39,853.70	210,533.93	-	(18,132.40)
Capital Outlay	33,906.89	-	-	-	(33,906.89)
Interest on Long-Term Debt	44,471.81	-	-	-	(44,471.81)
Unallocated Depreciation Expense	150,386.70	-	-	-	(150,386.70)
Total Governmental Activities	\$ 4,822,750.06	\$ 47,100.70	\$ 641,198.27	\$ -	(4,134,451.09)
General Revenues:					
Taxes					
Property Taxes					852,908.69
Other Taxes					337,094.23
State Aid - Formula Grants					2,578,781.45
Investment Earnings					1,681.37
Miscellaneous					32,239.21
Reimbursements					16,981.40
Total General Revenues					3,819,686.35
Change in Net Position					(314,764.74)
Net Position, Beginning					6,106,204.75
Net Position, Ending					\$ 5,791,440.01

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

Fairland School District No. I-31
Ottawa County, Oklahoma
Balance Sheet (Regulatory Basis)
Governmental Funds
June 30, 2014

	<u>Special Revenue Funds</u>			Total Governmental Funds
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 847,241.37	\$ 311,650.70	\$ 314,728.25	\$ 1,473,620.32
LIABILITIES AND FUND BALANCE				
Liabilities:				
Warrants payable	\$ 136,410.23	\$ 9,250.00	\$ 25,120.64	\$ 170,780.87
Fund Balance:				
Restricted to:				
Building Fund	-	-	120,969.46	120,969.46
Child Nutrition Fund	-	-	48,411.42	48,411.42
Co-Op Fund	-	-	16,492.30	16,492.30
Debt Service Fund	-	-	103,734.43	103,734.43
Capital Projects Fund	-	302,400.70	-	302,400.70
Unassigned	710,831.14	-	-	710,831.14
Total Fund Balance	<u>710,831.14</u>	<u>302,400.70</u>	<u>289,607.61</u>	1,181,869.99
Total Liabilities and Fund Balance	<u>\$ 847,241.37</u>	<u>\$ 311,650.70</u>	<u>\$ 314,728.25</u>	

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 \$8,876,743.03 and the accumulated depreciation is \$2,273,619.10 for a net book value of \$6,603,123.92

General obligation bonds payable and capital lease obligations payable are not included in the governmental fund liabilities.

General Obligation Bonds Payable	\$ (670,000.00)	
Capitalized Lease Obligations Payable	<u>(1,444,523.36)</u>	<u>(2,114,523.36)</u>

Net Position of Governmental Activities	<u>\$ 5,670,470.55</u>
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Fairland School District No. I-31
Ottawa County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances (Regulatory Basis)
Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	
Revenues:				
Local Sources	\$ 571,401.20	\$ 240,000.00	\$ 317,954.32	\$ 1,129,355.52
Intermediate Sources	68,393.47	-	-	68,393.47
State Sources	2,817,240.33	-	91,797.73	2,909,038.06
Federal Sources	407,373.90	-	233,824.37	641,198.27
Total Revenues	<u>3,864,408.90</u>	<u>240,000.00</u>	<u>643,576.42</u>	<u>4,747,985.32</u>
Expenditures:				
Instruction	2,757,233.39	-	58,970.20	2,816,203.59
Support Services	1,464,816.39	-	97,709.55	1,562,525.94
Non-Instruction Services	2,297.81	-	266,222.22	268,520.03
Capital Outlay	1,500.00	395,503.02	23,146.24	420,149.26
Other Outlays	-	-	-	-
Bond Payments	-	-	185,000.00	185,000.00
Interest	-	-	8,910.00	8,910.00
Total Expenditures	<u>4,225,847.59</u>	<u>395,503.02</u>	<u>639,958.21</u>	<u>5,261,308.82</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	(361,438.69)	(155,503.02)	3,618.21	(513,323.50)
Cash Fund Balance Beginning of Year	<u>1,072,269.83</u>	<u>457,903.72</u>	<u>285,989.40</u>	<u>1,816,162.95</u>
Cash Fund Balance End of Year	<u>\$ 710,831.14</u>	<u>\$ 302,400.70</u>	<u>\$ 289,607.61</u>	<u>\$ 1,302,839.45</u>

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

Fairland School District No. I-31
Ottawa County, Oklahoma
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	\$	(513,323.50)
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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.

Capital outlay expenditures	197,059.27	
Depreciation expense	<u>\$ (150,386.70)</u>	46,672.57

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.

Principal payments on capital lease obligations		206,886.19
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Payments on general obligation bonds payable are included in the debt service 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 payments is an expenditure. General obligation receipts are not recorded as revenue in the district wide statements.

General Obligation Bond Payments	185,000.00	
Bonds Obligations Receipts	<u>(240,000.00)</u>	<u>(55,000.00)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(314,764.74)</u></u>
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Fairland School District No. I-31
Ottawa County, Oklahoma
Statement of Changes in Assets and Liabilities (Regulatory Basis)
Fiduciary Funds
for the Year Ended June 30, 2014

	School Activity Funds			
	Balance July 1, 2013	Receipts	Disbursements	Balance June 30, 2014
Assets:				
Cash				
High School	\$ 34,309.20	\$ 146,347.63	\$ 139,570.81	\$ 41,086.02
Elementary School	16,860.33	42,221.55	48,437.57	10,644.31
District-Wide	11,473.98	117,881.99	118,215.97	11,140.00
Total Assets	\$ 62,643.51	\$ 306,451.17	\$ 306,224.35	\$ 62,870.33
Liabilities:				
Due to student groups				
High School:				
After Prom	\$ 377.34	\$ 3,845.31	\$ 3,208.16	\$ 1,014.49
Annual	3,569.58	9,064.25	8,699.25	3,934.58
Class of 13	429.09	350.00	779.09	-
Class of 14	844.02	2,124.85	2,439.68	529.19
Class of 15	2,392.50	5,884.67	4,255.10	4,022.07
Class of 2016	733.21	1,338.70	220.50	1,851.41
Class of 2017	-	100.00	-	100.00
Dance Team	1,389.92	5,475.86	4,836.09	2,029.69
FCCLA	366.95	7,259.60	7,290.69	335.86
High School	1,475.45	4,487.05	4,294.14	1,668.36
Library	2,008.46	4,207.58	3,458.66	2,757.38
Miscellaneous	2,539.46	11,961.84	10,776.67	3,724.63
National Honor Society	118.14	563.55	549.50	132.19
Native Youth Club	529.00	1,061.37	1,590.37	-
Recycling Acct	1,970.45	910.10	800.30	2,080.25
Special Olympics	2,938.80	1,986.00	1,357.42	3,567.38
Speech	57.12	-	57.12	-
Stuco	1,459.83	1,004.00	1,573.42	890.41
Trialgeo	344.84	-	98.77	246.07
Vo-Ag	10,765.04	84,722.90	83,285.88	12,202.06
Elementary School:				
Elementary	11,255.17	36,460.45	43,004.28	4,711.34
Elementary Library	3,282.78	4,321.34	4,307.67	3,296.45
Elementary Stuco	1,013.71	507.37	984.77	536.31
Kindergarten	1,308.67	932.39	140.85	2,100.21
District-Wide:				
Athletics	9,017.74	96,003.89	99,290.35	5,731.28
Athletic Booster Club	-	1,784.00	790.30	993.70
Band	425.93	19,271.89	16,368.36	3,329.46
Technology	2,030.31	822.21	1,766.96	1,085.56
Total Liabilities	\$ 62,643.51	\$ 306,451.17	\$ 306,224.35	\$ 62,870.33

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

**Fairland School District No. I-31
Ottawa 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 Fairland School District, No. I-31, Ottawa 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.

**Fairland School District No. I-31
Ottawa 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's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any activities classified as business-type activities.

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.

**Fairland School District No. I-31
Ottawa 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.

Coop Fund - The Coop Fund consists of monies derived from other Districts which participate in shared programs. This fund is used to account for the operations of the shared programs.

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 costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

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.

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.

**Fairland School District No. I-31
Ottawa 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 do 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 U.S. generally accepted accounting principles 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.

**Fairland School District No. I-31
Ottawa 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)

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 (15-90 years); transportation equipment (5-20 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.

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.

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.

**Fairland School District No. I-31
Ottawa 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)

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 government-wide financial statement, net assets represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

**Fairland School District No. I-31
Ottawa 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)

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed on the use of resources for specific purposes 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).

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.

**Fairland School District No. I-31
Ottawa 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)

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.

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.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

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. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Non Depreciable				
Land	\$ 98,151.00	\$ -	\$ -	\$ 98,151.00
Construction in Progress	1,490,000.00	187,159.27	(1,677,159.27)	-
Total Non Depreciable	<u>1,588,151.00</u>	<u>187,159.27</u>	<u>(1,677,159.27)</u>	<u>98,151.00</u>
Depreciable Assets				
Buildings and Improvements	6,541,778.40	1,677,159.27	-	8,218,937.67
Transportation Equipment	485,598.79	63,500.00	(35,324.00)	513,774.79
Equipment	45,879.57	-	-	45,879.57
Total Depreciable Assets	<u>7,073,256.76</u>	<u>1,740,659.27</u>	<u>(35,324.00)</u>	<u>8,778,592.03</u>
Accumulated Depreciation	<u>(2,158,556.41)</u>	<u>(150,386.70)</u>	<u>35,324.00</u>	<u>(2,273,619.11)</u>
Net Depreciable Assets	<u>4,914,700.35</u>	<u>1,590,272.57</u>	<u>-</u>	<u>6,504,972.92</u>
Net Capital Assets	<u>\$ 6,502,851.35</u>	<u>\$ 1,777,431.84</u>	<u>\$ (1,677,159.27)</u>	<u>\$ 6,603,123.92</u>

C. 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. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

III. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt (continued)

The District issued building bonds in the amount of \$245,000 on June 1, 2009. The bond maturities began June 1, 2011 in increments of \$60,000 per year with a final payment of \$65,000 on June 1, 2014. These bonds were paid off during the current year.

The District issued building bonds in the amount of \$365,000 on May 1, 2012. The bond maturities began May 1, 2014 in increments of \$120,000 per year with a final payment of \$125,000 due on May 1, 2016.

Debt service requirements for the 2012 building bonds are as follows:

Year Ended June 30,	General Obligation Bonds			Total Requirements
	Rate	Principal	Interest	
2015	0.700%	\$ 120,000.00	\$ 2,277.50	\$ 122,277.50
2016	1.150%	125,000.00	1,437.50	126,437.50
Totals		<u>\$ 245,000.00</u>	<u>\$ 3,715.00</u>	<u>\$ 248,715.00</u>

The District issued building bonds in the amount of \$185,000 on May 1, 2013. The bond maturities began May 1, 2014 in increments of \$40,000 per year with a final payment of \$50,000 due on May 1, 2018.

Debt service requirements for the 2013 building bonds are as follows:

Year Ended June 30,	General Obligation Bonds			Total Requirements
	Rate	Principal	Interest	
2015	4.250%	\$ 45,000.00	\$ 3,312.50	\$ 48,312.50
2016	1.000%	45,000.00	1,400.00	46,400.00
2017	1.000%	45,000.00	950.00	45,950.00
2018	1.000%	50,000.00	500.00	50,500.00
Totals		<u>\$ 185,000.00</u>	<u>\$ 6,162.50</u>	<u>\$ 191,162.50</u>

The District issued building bonds in the amount of \$240,000 on May 1, 2014. The bond maturities begin May 1, 2016 in increments of \$60,000 per year, with a final payment of \$60,000 due on May 1, 2019.

Debt service requirements for the 2014 building bonds are as follows:

Year Ended June 30,	General Obligation Bonds			Total Requirements
	Rate	Principal	Interest	
2015		\$ -	\$ 3,210.00	\$ 3,210.00
2016	0.800%	60,000.00	3,210.00	63,210.00
2017	1.050%	60,000.00	2,730.00	62,730.00
2018	1.500%	60,000.00	2,100.00	62,100.00
2019	2.000%	60,000.00	1,200.00	61,200.00
Totals		<u>\$ 240,000.00</u>	<u>\$ 12,450.00</u>	<u>\$ 252,450.00</u>

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

III. Detailed Notes Concerning the Funds

C. Long-Term Debt (continued)

Debt service requirements for all bonds are as follows:

Year Ended June 30,	General Obligation Bonds			Total Requirements
	Rate	Principal	Interest	
2015	Various	\$ 165,000.00	\$ 8,800.00	\$ 173,800.00
2016	Various	230,000.00	6,047.50	236,047.50
2017	Various	105,000.00	3,680.00	108,680.00
2018	Various	110,000.00	2,600.00	112,600.00
2019	2.000%	60,000.00	1,200.00	61,200.00
Totals		<u>\$ 670,000.00</u>	<u>\$ 22,327.50</u>	<u>\$ 692,327.50</u>

Capitalized Lease Obligations

The District executed a lease to purchase Crafton property on June 28, 2005. The amount of the lease is \$60,000.00 with interest at 5.79% payable in monthly installments with the final payment due on June 28, 2015. Future payments are as follows:

Year Ended June 30,	Total		
	Principal	Interest	Requirements
2015	<u>\$ 6,675.69</u>	<u>\$ 170.17</u>	<u>\$ 6,845.86</u>

The District executed a lease to purchase a Vo-Ag Building on September 29, 2005. The amount of the lease is \$150,000 with interest at 4.83% payable in monthly installments with the final payment due on November 1, 2013. This lease was paid off during the current year.

The District executed a lease to purchase a Show Barn on May 8, 2007. The amount of the lease is \$160,000 with interest at 4.98% payable in annual installments with the final payment due on October 1, 2014. Future payments are as follows:

Year Ended June 30,	Total		
	Principal	Interest	Requirements
2015	<u>\$ 26,321.41</u>	<u>\$ 1,311.25</u>	<u>\$ 27,632.66</u>

The District executed a lease to purchase a new roof on the Junior High on September 8, 2008. The amount of the lease is \$307,200 with interest at 2.898% payable in monthly installments of \$1,322.32 with the final payment due on February 8, 2014. This lease was paid off during the current year.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

III. Detailed Notes Concerning the Funds

C. Long-Term Debt (continued)

Capitalized Lease Obligations (continued)

The District executed a lease to purchase a Ford F250 Crew Cab Truck for the Vo-Ag department on June 1, 2011. The amount of the lease is \$39,658 with interest at 3.69% payable in annual payments, with the final payment due on June 13, 2016. A down payment of \$10,000 was made on June 13, 2011. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2015	\$ 6,143.13	\$ 463.39	\$ 6,606.52
2016	6,370.60	235.92	6,606.52
Totals	<u>\$ 12,513.73</u>	<u>\$ 699.31</u>	<u>\$ 13,213.04</u>

The District executed a lease on October 25, 2012 from the Ottawa County Educational Facilities Authority to renovate school buildings. The amount of the lease is \$1,490,000 with irregular payments maturing September 1, 2021. The District is paying additional rents of \$1,500 semiannually beginning March 1, 2013 through maturity. Title will transfer when the lease is paid off. Future payments are as follows:

Year Ended June 30,	Payment	Interest	Total Requirements
2015	\$ 197,137.48	\$ 33,612.52	\$ 230,750.00
2016	-	-	-
2017	387,108.45	58,091.55	445,200.00
2018	-	-	-
2019	137,242.37	38,507.63	175,750.00
2020-2022	623,924.23	37,015.77	660,940.00
Totals	<u>\$ 1,345,412.53</u>	<u>\$ 167,227.47</u>	<u>\$ 1,512,640.00</u>

The District executed a lease to purchase a 2011 71p Bluebird Bus on January 20, 2014. The amount of the lease is \$53,600 with interest at 1.990% payable in annual payments beginning July 30, 2014, with the final payment due on July 30, 2016. A down payment of \$10,000 was made on January 30, 2014. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2015	\$ 17,851.75	\$ 558.16	\$ 18,409.91
2016	17,698.52	711.39	18,409.91
2017	18,049.73	360.18	18,409.91
Totals	<u>\$ 53,600.00</u>	<u>\$ 1,629.73</u>	<u>\$ 55,229.73</u>

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

III. Detailed Notes Concerning the Funds

C. Long-Term Debt (continued)

Capitalized Lease Obligations (continued)

Aggregate future minimum lease payments on all capital leases are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 254,129.46	\$ 36,115.49	\$ 290,244.95
2016	24,069.12	947.31	25,016.43
2017	405,158.18	58,451.73	463,609.91
2018	-	-	-
2019	137,242.37	38,507.63	175,750.00
2020-2022	623,924.23	37,015.77	660,940.00
Totals	<u>\$ 1,444,523.36</u>	<u>\$ 171,037.93</u>	<u>\$ 1,615,561.29</u>

D. Changes in General Long-Term Debt

Long-term debt consists of bonds payable and capital lease obligations. The following is a summary of the changes in general long-term debt of the District for the fiscal year.

	<u>Balance June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 615,000.00	\$ 240,000.00	\$ 185,000.00	\$ 670,000.00	\$ 165,000.00
Lease Obligations	1,597,809.55	53,600.00	206,886.19	1,444,523.36	254,129.46
Total	<u>\$ 2,212,809.55</u>	<u>\$ 293,600.00</u>	<u>\$ 391,886.19</u>	<u>\$ 2,114,523.36</u>	<u>\$ 419,129.46</u>

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

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 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 \$15,293.79.

**Fairland School District No. I-31
Ottawa 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)

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.

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.

**Fairland School District No. I-31
Ottawa 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)

Annual Pension Cost

The District's total contributions for 2014, 2013 and 2012 were \$231,065, \$222,947 and \$211,612, 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

E. Surety Bonds

The Superintendent is bonded by Travelers Casualty and Surety Company, bond number 105310469, for the sum of \$100,000 for the term July 1, 2013 to June 30, 2014.

The Treasurer/Activities Fund Clerk is bonded by RLI Insurance Company; bond number LSM0319846, for the sum of \$50,000 for the term August 31, 2013 to August 31, 2014.

The Encumbrance Clerk /Minutes Clerk is bonded by RLI Insurance Company, bond number LSM0319859, for the sum of \$2,000 each for the term August 31, 2013 to August 31, 2014.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014**

IV. Other Information (continued)

F. Subsequent Events

Management has evaluated subsequent events through November 19, 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 \$1,133,525.92 was reduced by taxes receivable in the amount of \$47,869.07 and due from other governments in the amount of \$34,771.76, and increased by deferred revenue in the amount of \$21,384.74 to \$1,072,269.83 or a net decrease of \$61,256.09.

The Building Fund beginning balance of \$76,861.73 was reduced by taxes receivable in the amount of \$1,447.61 and increased by deferred revenue in the amount of \$48,868.17 to \$124,282.29, or a net increase of \$47,420.56.

The Child Nutrition Fund beginning balance of \$37,839.04 was increased by deferred revenue in the amount of \$8,533.16 to \$46,372.20.

The Debt Service Fund beginning balance of \$175,628.77 was reduced by taxes receivable in the amount of \$62,343.97 to \$113,284.80.

The Government-wide beginning net position of \$6,146,424.37 was decreased by \$67,646.34 due to the above changes and an increase of \$27,426.72 for accrued interest payable added back in for a net decrease of \$40,219.62 to \$6,106,204.75.

REQUIRED SUPPLEMENTARY INFORMATION

Fairland School District No. I-31
Ottawa County, Oklahoma
Combined 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

	<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	\$ 511,140.76	\$ 525,005.23	\$ 571,401.20	\$ 13,864.47	\$ 46,395.97
Intermediate Sources	62,623.63	62,623.63	68,393.47	-	5,769.84
State Sources	2,753,107.43	2,753,107.43	2,817,240.33	-	64,132.90
	409,025.98	409,025.98	407,373.90	-	(1,652.08)
Total Revenues Collected	3,735,897.80	3,749,762.27	3,864,408.90	13,864.47	114,646.63
Expenditures Paid:					
Instruction	3,438,705.36	3,326,296.92	2,757,233.39	(112,408.44)	569,063.53
Support Services	1,367,246.57	1,491,680.37	1,464,816.39	124,433.80	26,863.98
Non-Instruction Services	1,108.70	2,297.81	2,297.81	1,189.11	-
Capital Outlay	850.00	1,500.00	1,500.00	650.00	-
Other Outlays	257.00	257.00	-	-	257.00
Total Expenditures Paid	4,808,167.63	4,822,032.10	4,225,847.59	13,864.47	596,184.51
Excess (Deficit) of Revenues					
Collected Over (Under)					
Expenditures Paid	(1,072,269.83)	(1,072,269.83)	(361,438.69)	-	710,831.14
Cash Fund Balance					
Beginning of Year	1,072,269.83	1,072,269.83	1,072,269.83	-	-
Cash Fund Balance					
End of Year	\$ -	\$ -	\$ 710,831.14	\$ -	\$ 710,831.14

UNAUDITED

OTHER SUPPLEMENTARY INFORMATION

Fairland School District No. I-31
Combining Balance Sheet Regulatory Basis – Non Major Funds
For the Year Ended June 30, 2014

	Special Revenue Funds				Total Non-Major Governmental Funds
	Building Fund	Child Nutrition Fund	Co-Op Fund	Debt Service Fund	
ASSETS					
Cash and Cash Equivalents	\$ 134,713.20	\$ 57,525.77	\$ 18,754.85	\$ 103,734.43	\$ 314,728.25
LIABILITIES AND FUND BALANCE					
Liabilities:					
Warrants Payable	\$ 13,743.74	\$ 9,114.35	\$ 2,262.55	\$ -	\$ 25,120.64
Fund Balance:					
Restricted to:					
Building Fund	120,969.46	-	-	-	120,969.46
Child Nutrition Fund	-	48,411.42	-	-	48,411.42
Co-Op Fund	-	-	16,492.30	-	16,492.30
Debt Service Fund	-	-	-	103,734.43	103,734.43
Total Fund Balance	120,969.46	48,411.42	16,492.30	103,734.43	289,607.61
Total Liabilities and Fund Balance	\$ 134,713.20	\$ 57,525.77	\$ 18,754.85	\$ 103,734.43	\$ 314,728.25

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

Fairland School District No. I-31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Regulatory Basis - Non Major Funds
For the Year Ended June 30, 2014

	Special Revenue Funds				Total Non-Major Governmental Funds
	Building Fund	Child Nutrition Fund	Co-Op Fund	Debt Service Fund	
Revenues:					
Local Sources	\$ 86,493.99	\$ 39,853.70	\$ 7,247.00	\$ 184,359.63	\$ 317,954.32
State Sources	-	17,873.81	73,923.92	-	91,797.73
Federal Sources	23,290.44	210,533.93	-	-	233,824.37
Total Revenues	<u>109,784.43</u>	<u>268,261.44</u>	<u>81,170.92</u>	<u>184,359.63</u>	<u>643,576.42</u>
Expenditures:					
Instruction	628.02	-	58,342.18	-	58,970.20
Support Services	89,323.00	-	8,386.55	-	97,709.55
Capital Outlay	23,146.24	266,222.22	-	-	289,368.46
Other Outlays	-	-	-	-	-
Bond Payments	-	-	-	185,000.00	185,000.00
Interest	-	-	-	8,910.00	8,910.00
Total Expenditures	<u>113,097.26</u>	<u>266,222.22</u>	<u>66,728.73</u>	<u>193,910.00</u>	<u>639,958.21</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	(3,312.83)	2,039.22	14,442.19	(9,550.37)	3,618.21
Cash Fund Balance Beginning of Year	<u>124,282.29</u>	<u>46,372.20</u>	<u>2,050.11</u>	<u>113,284.80</u>	<u>285,989.40</u>
Cash Fund Balance End of Year	<u>\$ 120,969.46</u>	<u>\$ 48,411.42</u>	<u>\$ 16,492.30</u>	<u>\$ 103,734.43</u>	<u>\$ 289,607.61</u>

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

Fairland School District No. I-31
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>
U.S. Department of Education							
<i>Direct Programs:</i>							
Impact Aid	84.041	591	\$ 40,999.10	\$ (64,135.79)	\$ 40,999.10	\$ -	\$ (105,134.89)
Title VII, Part A - Indian Education	84.060	561	52,205.00	-	51,839.39	52,205.00	365.61
<i>Passed Through State Department of Education:</i>							
Title I, Part A - Improving Basic Programs	84.010	511	127,762.09	-	118,097.60	118,097.60	-
IDEA-B	84.027	621	118,097.74	-	135,348.37	135,348.37	-
IDEA B	84.027	627	10,864.47	-	10,864.47	10,864.47	-
IDEA-B Preschool	84.173	641	3,316.96	-	3,374.89	3,374.89	-
Title VI, Subpart 2 - SRSAG	84.358A	588	54,309.75	-	54,309.75	54,309.75	-
Total U.S. Department of Education			<u>407,555.11</u>	<u>(64,135.79)</u>	<u>414,833.57</u>	<u>374,200.08</u>	<u>(104,769.28)</u>
U.S. Department of Agriculture							
<i>Passed Through State Department of Education:</i>							
National School Breakfast Program	10.553	764	N/A	-	54,945.84	54,945.84	-
National School Lunch Program	10.555	763	N/A	(8,533.16)	155,588.09	155,588.09	(8,533.16)
Summer Food Service Program	10.559	766	N/A	-	-	3,825.68	3,825.68
<i>Passed Through Department of Health & Human Services</i>							
Commodities - Note B	10.550	385	N/A	-	15,293.79	15,293.79	-
<i>Passed Through Oklahoma Health Care Authority</i>							
Medicaid Resources	93.778		-	(6,117.12)	7,547.71	2,396.90	(11,267.93)
Total U.S. Department of Agriculture			<u>-</u>	<u>(14,650.28)</u>	<u>233,375.43</u>	<u>232,050.30</u>	<u>(15,975.41)</u>
Other Federal Assistance							
Johnson O'Malley Program	15.130	563	10,170.00	-	8,283.06	9,057.82	774.76
TOTAL FEDERAL ASSISTANCE			<u>\$ 417,725.11</u>	<u>\$ (78,786.07)</u>	<u>\$ 656,492.06</u>	<u>\$ 615,308.20</u>	<u>\$ (119,969.93)</u>

Continued on next page

Fairland School District No. I-31
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2014
(continued)

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.

Fairland School District No. I-31
Schedule of Accountant's Professional Liability Insurance Affidavit
For the Year Ended June 30, 2014

State of Oklahoma)
)ss
County of Craig)

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 Fairland Public Schools for the audit year 2013-2014.

Turner & Associates, PLC

Auditing Firm

by Brian W. Turner
Authorized Agent

Subscribed and sworn to before me this 19th day of November, 2014.

Shirley J. Turner
Notary Public (or Clerk or Judge)
02001872
352018



**Fairland School District No. I-31
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 combined financial statements in conformity with generally accepted accounting principles and an unqualified opinion on the governmental activities and each major fund information in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.
2. One deficiency relating to the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of Fairland School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs during the audit are reported in the Independent Auditor's Report on Compliance with Requirement that could have a direct material effect on each major Program and Internal Control over Compliance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Fairland School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
84.010	Title I, Part A
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.778	Medicaid

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Fairland School District is not a low-risk auditee.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2014-1 Teacher salaries paid from Activity Fund

Criteria:

Per Title 70-5-135, school districts shall report financial transactions for all funds using the Oklahoma Cost Accounting System (OCAS). However, a school district board of education may use the procedures outlined in Section 304.1 of Title 62 of the Oklahoma Statutes for the payment of salaries and wages only if the board so votes.

Condition:

The District paid teacher salaries totaling \$7,218.39 for tutoring without withholding payroll taxes or reporting the salaries on the W-2's.

Cause:

The District received a grant from the Eastern Shawnee Tribe for tutoring and recorded the money in the Activity Fund and paid the salaries from this grant.

Effect:

The District did not comply with State Statutes.

Recommendation:

The District should ensure that teacher salaries are only paid from the proper fund and payroll taxes are withheld and W-2's issued.

Client Response:

We understood that small stipends could be paid from the Activity Fund without withholding payroll taxes. We understand now the rules and this will no longer be an issue.

**Fairland School District No. I-31
Ottawa County, Oklahoma
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

PRIOR AUDIT FINDINGS

None.