

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

**DURANT INDEPENDENT SCHOOL DISTRICT NO. 1-72,
BRYAN COUNTY, OKLAHOMA**

JUNE 30, 2014

Audited by

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

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
JUNE 30, 2014

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JUNE 30, 2014

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

December 17, 2014

The Honorable Board of Education
Durant School District Number I-72
Durant, Bryan County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Durant School District Number I-72, Durant, Bryan County, Oklahoma (the 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. 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 District, 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable 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 District as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” Paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of the District, as of June 30, 2014, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis, are presented for purposes 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 basic 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combined statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects 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 December 17, 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 to other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITOR'S 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**

December 17, 2014

The Honorable Board of Education
Durant School District Number I-72
Durant, Bryan County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the Durant School District Number I-72, Durant, Bryan County, Oklahoma (District), 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 December 17, 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 the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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 in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP



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CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 17, 2014

The Honorable Board of Education
Durant School District Number I-72
Durant, Bryan County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Durant School District Number I-72, Durant, Bryan County, Oklahoma (District)'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 the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects 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 the 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 the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2014

There were no prior year significant deficiencies.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section 1 - Summary of Auditor's Results:

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

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

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TRUST AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash	\$ 5,802,481	1,836,163	1,271,444	4,576,767	493,600		13,980,455
Amounts available in debt service						156,693	156,693
Amount to be provided for retirement of long-term debt						9,956,703	9,956,703
Total Assets	<u>\$ 5,802,481</u>	<u>1,836,163</u>	<u>1,271,444</u>	<u>4,576,767</u>	<u>493,600</u>	<u>10,113,396</u>	<u>24,093,851</u>
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Warrants payable	\$ 1,664,617	28,332		62,351			1,755,300
Encumbrances	167,496						167,496
Unmatured obligations			1,114,751				1,114,751
Funds held for school organizations					493,600		493,600
Long-term debt:							
Bonds payable						9,175,000	9,175,000
Capital leases						938,396	938,396
Total liabilities	<u>1,832,113</u>	<u>28,332</u>	<u>1,114,751</u>	<u>62,351</u>	<u>493,600</u>	<u>10,113,396</u>	<u>13,644,543</u>
Fund Equity:							
Cash fund balances	<u>3,970,368</u>	<u>1,807,831</u>	<u>156,693</u>	<u>4,514,416</u>	<u>0</u>	<u>0</u>	<u>10,449,308</u>
Total Liabilities and Fund Equity	<u>\$ 5,802,481</u>	<u>1,836,163</u>	<u>1,271,444</u>	<u>4,576,767</u>	<u>493,600</u>	<u>10,113,396</u>	<u>24,093,851</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues collected:					
Local sources	\$ 4,844,518	600,884	1,999,511	4,236,379	11,681,292
Intermediate sources	641,295				641,295
State sources	16,197,218				16,197,218
Federal sources	3,527,343				3,527,343
Interest earnings	3,145	1,111	3,195	39	7,490
Non-revenue receipts	216,276				216,276
Total revenues collected	<u>25,429,795</u>	<u>601,995</u>	<u>2,002,706</u>	<u>4,236,418</u>	<u>32,270,914</u>
Expenditures:					
Instruction	14,616,529	12,522		1,673,088	16,302,139
Support services	9,080,164	96,114			9,176,278
Operation of non-instructional services	1,870,940				1,870,940
Facilities acquisition & construction services	4,034	906,325		100,293	1,010,652
Other outlays :					
Debt service requirements			1,949,820		1,949,820
Reimbursement	1,739				1,739
Repayments	3,764				3,764
Total expenditures	<u>25,577,170</u>	<u>1,014,961</u>	<u>1,949,820</u>	<u>1,773,381</u>	<u>30,315,332</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(147,375)	(412,966)	52,886	2,463,037	1,955,582
Other financing sources (uses):					
Adjustments to prior year encumbrances	253,629	2,219		72,775	328,623
Total other financing sources (uses)	<u>253,629</u>	<u>2,219</u>	<u>0</u>	<u>72,775</u>	<u>328,623</u>
Excess of revenues collected over (under) expenditures and other financing sources (uses)	106,254	(410,747)	52,886	2,535,812	2,284,205
Cash fund balances, beginning of year	3,864,114	2,218,578	103,807	1,978,604	8,165,103
Cash fund balances, end of year	<u>\$ 3,970,368</u>	<u>1,807,831</u>	<u>156,693</u>	<u>4,514,416</u>	<u>10,449,308</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I- 72, BRYAN COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 4,202,671	4,844,518	641,847
Intermediate sources	552,414	641,295	88,881
State sources	16,005,588	16,197,218	191,630
Federal sources	4,028,265	3,527,343	(500,922)
Interest earnings		3,145	3,145
Non-revenue receipts		216,276	216,276
Total revenues collected	<u>24,788,938</u>	<u>25,429,795</u>	<u>640,857</u>
Expenditures:			
Instruction	14,619,471	14,616,529	2,942
Support services	8,866,305	9,080,164	(213,859)
Operation of non-instructional services	1,835,742	1,870,940	(35,198)
Facilities acquisition & constr services	4,034	4,034	0
Other outlays:			
Debt service	3,120,550		3,120,550
Reimbursement	1,389	1,739	(350)
Clearing account	182,990		182,990
Indirect cost entitlement	22,571		22,571
Repayments		3,764	(3,764)
Total expenditures	<u>28,653,052</u>	<u>25,577,170</u>	<u>3,075,882</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(3,864,114)	(147,375)	3,716,739
Adjustments to prior year encumbrances	<u>0</u>	<u>253,629</u>	<u>253,629</u>
Excess of revenues collected over (under) expenditures	(3,864,114)	106,254	3,970,368
Cash fund balance, beginning of year	<u>3,864,114</u>	<u>3,864,114</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>3,970,368</u>	<u>3,970,368</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I- 72, BRYAN COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUND (BUILDING)		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 529,857	600,884	71,027
Interest earnings		1,111	1,111
Total revenues collected	529,857	601,995	72,138
Expenditures:			
Instruction	12,522	12,522	
Support services	96,114	96,114	
Facilities acquisition & constr services	2,639,799	906,325	1,733,474
Total expenditures	2,748,435	1,014,961	1,733,474
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(2,218,578)	(412,966)	1,805,612
Adjustments to prior year encumbrances	0	2,219	2,219
Excess of revenues collected over (under) expenditures	(2,218,578)	(410,747)	1,807,831
Cash fund balances, beginning of year	2,218,578	2,218,578	0
Cash fund balances, end of year	0	1,807,831	1,807,831

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 1,846,013	1,999,511	153,498
Interest earnings		3,195	3,195
Total revenues collected	1,846,013	2,002,706	156,693
Requirements:			
Bonds	1,867,222	1,867,222	
Coupons	82,598	82,598	
Total requirements	1,949,820	1,949,820	0
Excess of revenue collected over (under) expenditures	(103,807)	52,886	156,693
Cash fund balance, beginning of year	103,807	103,807	0
Cash fund balance, end of year	\$ 0	156,693	156,693

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the Durant Public Schools Independent District No. I-72 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Fund Types

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

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Funds – Special revenue funds include the District’s building, co-op and child nutrition funds.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting - cont'd

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2013-14 school year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The District did not maintain this fund during the 2013-14 school year.

Debt Service Fund – The debt service fund is the District’s sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects 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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2013-14 school year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Fund Accounting – cont’d

organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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

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

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

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

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

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

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

Memorandum Only - Total Column

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting – cont'd

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

D. Budgets and Budgetary Accounting

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

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

The 2013-14 Estimate of Needs was not amended by any supplemental appropriations

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. Unencumbered appropriations lapse at the end of each fiscal year.

E. Assets, Liabilities and Fund Equity

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

Investments – The District is allowed to invest in direct obligations of the United State's government and agencies ; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the District. All investments are recorded at cost, which approximates market value. The District had no outstanding investments at June 30, 2014.

Inventories – The value of consumable inventories at June 30, 2014, is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets Account Group is not presented.

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations – The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase orders, legal contracts, outstanding warrants and unmatured obligations.

Local Revenues – Revenue from local sources is the monies generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

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 are collected within such systems.

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions from or additions to the revenue of the year when the adjustment is made.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the 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.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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

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

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

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

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

Interfund Transactions – Quasi-external 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during the 2013-14 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

2. CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2014, was \$14,275,854. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – The District had no outstanding investments at June 30, 2014.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2014.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

4. GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District’s voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

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

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2014:

	Bonds Payable	Capital Leases	Total
Balance, July 1, 2013	\$ 7,020,000	990,651	8,010,651
Additions	4,130,000		4,130,000
Retirements	(1,975,000)	(52,255)	(2,027,255)
Balance, June 30, 2014	\$ 9,175,000	938,396	10,113,396

A brief description of the outstanding long-term debt at June 30, 2014, is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2004, original issue \$875,000, interest rate of 4.10%, due in annual installments of \$100,000, and a final installment of \$100,000, due 8-1-14	\$ 100,000

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

4. GENERAL LONG-TERM DEBT – cont'd	<u>Amount Outstanding</u>
<u>General Obligation Bonds</u> – cont'd	
General Obligation Bonds, Series 2010, original issue \$3,230,000, interest rate of 4.40% to 2.00%, due in annual installments of \$805,000, and a final installment of \$815,000, due 6-1-15	\$ 815,000
General Obligation Bonds, Series 2011, original issue \$2,125,000, interest rate of 1.10% to 1.75%, due in annual installments of \$525,000, and a final installment of \$550,000, due 5-1-16	1,075,000
General Obligation Bonds, Series 2012, original issue \$1,765,000, interest rate of .55% to 1.30%, due in annual installments of \$440,000, and a final installment of \$445,000, due 5-1-17	1,325,000
Building Bonds, Series 2013, original issue \$1,730,000, interest rate of .70%, due in annual installments of \$430,000, and a final installment of \$440,000, due 6-1-18	1,730,000
Building Bonds, Series 2014, original issue \$3,260,000, interest rate of 1.0% to 1.25%, due in an initial installment of \$770,000, and a final installment of \$830,000, due 3-1-20	3,260,000
Combined Purpose Bonds, Series 2014, original issue \$1,090,000, interest rate of 0.9% to 1.1%, due in an initial installment of \$210,000, and a final installment of \$220,000, due 3-1-19	1,090,000
<u>Lease Purchase Agreements:</u>	
Lease purchase of real property, dated 5-20-06, totaling \$1,260,000, interest rates of 4.52%, due in annual installments of \$97,031.88, final installment, due 9-19-26	<u>938,396</u>
Total	<u>\$ 10,113,396</u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

4. GENERAL LONG-TERM DEBT – cont'd

The annual debt service requirements for the retirement of the bonds and capital leases, including the payment of principal and interest are as follows:

Year Ending June 30	Principal	Interest	Total
2015	2,364,616	143,608	2,508,224
2016	1,687,085	110,010	1,797,095
2017	1,924,665	89,866	2,014,531
2018	1,552,362	69,735	1,622,097
2019	1,115,181	53,776	1,168,957
2020-2024	1,469,487	147,141	1,616,628
Total	<u>\$ 10,113,396</u>	<u>614,136</u>	<u>10,727,532</u>

Interest paid on general long-term debt during the 2013-14 fiscal year totaled \$130,609.

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73722, 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

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN - cont'd

the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2013-14 fiscal year, The District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

The District's total contributions for 2014, 2013 and 2012 were \$2,277,823, \$2,245,019, and \$2,183,324, respectively.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

6. 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 risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. The School 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 School reports the

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

6. RISK MANAGEMENT – cont'd

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 it 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 school'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 its loss fund in three years, it is returned to the District with no interest. The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, 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.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

Subsequent Events

Management has evaluated subsequent events through December 17, 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.

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

8. LEASE PURCHASE AGREEMENTS

On October 1, 2009, an agreement was entered into between Public Finance Leasing, LLC, and First United Bank & Trust Company, Durant, Ok, to issue certificates of participation evidencing proportional interests in rental payments to be made pursuant to a lease purchase agreement between Public Finance Leasing, LLC and the Independent School District No. 72, Bryan County (Durant Public Schools) in the form of \$39,015,000 Series 2009A Bonds and \$1,195,000 Series 2009B Bonds, to provide funds for the purpose of constructing and equipping a new high school. Also, the City of Durant passed a sales tax to assist in the repayment of the certificates of participation. The following is a schedule of rental payments for the two issues.

Series 2009A \$39,015,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
14-15	620,000	1,537,250	2,157,250
15-16	700,000	1,519,189	2,219,189
16-17	785,000	1,497,076	2,282,076
17-18	875,000	1,470,790	2,345,790
18-19	980,000	1,439,744	2,419,744
19-20	1,085,000	1,403,882	2,488,882
20-21	1,200,000	1,363,457	2,563,457
21-22	1,325,000	1,317,967	2,642,967
22-23	1,460,000	1,263,452	2,723,452
23-24	1,610,000	1,199,259	2,809,259
24-25	1,765,000	1,127,910	2,892,910
25-26	1,935,000	1,049,096	2,984,096
26-27	2,120,000	962,723	3,082,723
27-28	2,310,000	868,362	3,178,362
28-29	2,515,000	765,587	3,280,587
29-30	2,735,000	653,759	3,388,759
30-31	2,970,000	529,826	3,499,826
31-32	3,220,000	392,947	3,612,947
32-33	3,490,000	244,569	3,734,569
33-34	<u>3,785,000</u>	<u>83,697</u>	<u>3,868,697</u>
Totals	<u>37,485,000</u>	<u>20,690,542</u>	<u>58,175,542</u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

8. LEASE PURCHASE AGREEMENTS – cont'd

Series 2009B \$1,195,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
14-15	50,000	62,800	112,800
15-16	55,000	59,330	114,330
16-17	55,000	65,693	120,693
17-18	60,000	51,890	111,890
18-19	65,000	47,759	112,759
19-20	70,000	43,298	113,298
20-21	75,000	38,504	113,504
21-22	75,000	33,544	108,544
22-23	80,000	28,422	108,422
23-24	90,000	22,805	112,805
24-25	95,000	16,689	111,689
25-26	100,000	10,244	110,244
26-27	<u>105,000</u>	<u>3,470</u>	<u>108,470</u>
Totals	<u><u>975,000</u></u>	<u><u>484,448</u></u>	<u><u>1,459,448</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
 JUNE 30, 2014

	<u>#31 BOND FUND</u>	<u>#32 BOND FUND</u>	<u>#33 BOND FUND</u>	<u>#34 BOND FUND</u>	<u>TOTAL FUND</u>
<u>ASSETS</u>					
Cash	\$ 100,611	37	5,159	4,470,960	4,576,767
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 423			61,928	62,351
Total liabilities	<u>423</u>	<u>0</u>	<u>0</u>	<u>61,928</u>	<u>62,351</u>
Fund Equity:					
Cash fund balances	<u>100,188</u>	<u>37</u>	<u>5,159</u>	<u>4,409,032</u>	<u>4,514,416</u>
Total Liabilities and Fund Equity	<u>\$ 100,611</u>	<u>37</u>	<u>5,159</u>	<u>4,470,960</u>	<u>4,576,767</u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	#31 BOND FUND	#32 BOND FUND	#33 BOND FUND	#34 BOND FUND	TOTAL
Revenues Collected:					
Local sources	\$ 0		350,000	3,886,379	4,236,379
Interest		39			39
	<u>\$ 0</u>	<u>39</u>	<u>350,000</u>	<u>3,886,379</u>	<u>4,236,418</u>
Expenditures:					
Instruction					
Support services	312,253	336	484,439	876,060	1,673,088
Facilities acquisition & constr. services				100,293	100,293
Total expenditures	<u>312,253</u>	<u>336</u>	<u>484,439</u>	<u>976,353</u>	<u>1,773,381</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(312,253)	(297)	(134,439)	2,910,026	2,463,037
Other financing sources (uses):					
Lapsed appropriations	63,546			9,229	72,775
Total other financing sources (uses)	<u>63,546</u>	<u>0</u>	<u>0</u>	<u>9,229</u>	<u>72,775</u>
Excess of revenues collected over (under) expenditures	(248,707)	(297)	(134,439)	2,919,255	2,535,812
Cash fund balances, beginning of year	<u>348,895</u>	<u>334</u>	<u>139,598</u>	<u>1,489,777</u>	<u>1,978,604</u>
Cash fund balances, end of year	<u>\$ 100,188</u>	<u>37</u>	<u>5,159</u>	<u>4,409,032</u>	<u>4,514,416</u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
<u>ASSETS</u>					
Cash and Investments	\$ 414,746	1,036,350	0	957,496	493,600
<u>LIABILITIES</u>					
Funds held for school organizations:					
Academic bowl DHS	\$ 111	0		0	111
Annual DHS	9,742	19,975		9,769	19,948
Athletics DHS	14,358	82,226		78,341	18,243
Band DHS	0	0		0	0
Recycle DHS	230	0		0	230
Chorus DHS	4,729	26,741		27,022	4,448
FFA Booster club	10,197	11,223		9,778	11,642
Softball DHS	6,689	11,425		10,754	7,360
Cheerleader DHS	7,657	24,700		28,145	4,212
Concessions sodexo	959	7,260		7,919	300
Concessions DECA	0	0		0	0
DECA DHS	10,969	9,126		9,326	10,769
Art Club DHS	610	706		179	1,137
Desk top publishing	528	0		0	528
BPA DHS	817	802		942	677
FCA DHS	566	0		35	531
FFA Chapter DHS	7,610	46,361		38,512	15,459
FCCLA DHS	217	1,146		943	420
Flower fund DHS	104	0		65	39
General activity DHS	28,070	31,060		26,036	33,094
HOSA FFA	1,835	21,164		22,393	606
Bourne memorial SCO		1,000		0	1,000
Key club DHS	0	3,329		742	2,587
Library DHS	2,549	2,544		2,639	2,454
Newspaper DHS	267	196		0	463
Spanish club DHS	319	0		0	319
Speech and drama club DHS	2,860	15,124		13,427	4,557
Student council DHS	3,708	5,973		5,708	3,973
Netbooks DHS	1,455	2,455		3,365	545
Clearing DHS	0	11,449		11,449	0
Football parents DHS	6,840	28,223		29,153	5,910
Class of 2009	93	0		93	0
FEA DHS	1,192	808		788	1,212
Awards DHS	2,875	5,335		1,156	7,054
Grapplers DHS	2,376	2,492		1,444	3,424
Media Productions	2,596	440		236	2,800
Youth and government	265	0		0	265
Vision academy	6,335	898		1,552	5,681
Baseball DHS	11,268	18,547		23,279	6,536

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
Jr class 2008-09	\$ 3,135	0		3,135	0
Softball DMS	53	0		0	53
Emergency DMS	489	0		0	489
Special DMS	18,564	19,408		23,854	14,118
Annual DMS	844	3,963		3,109	1,698
Athletics DMS	21,009	28,827		26,571	23,265
Band DMS	3,091	19,617		18,625	4,083
Library DMS	1,903	4,569		4,203	2,269
Clearing DMS	0	215		215	0
Choir DMS	1,179	22,921		21,233	2,867
Cheerleader DMS	4,379	2,895		6,295	979
Flower fund DMS	24	345		182	187
Sudent council DMS	3,023	7,104		5,641	4,486
TSA assosiation DMS	547	50		0	597
PTSO DMS	676	0		0	676
Netbooks DMS	1,075	1,560		200	2,435
Builders club DMS	790	0		0	790
General activity NWH	24,347	60,573		61,487	23,433
PSO NWH	3,633	15,671		10,371	8,933
Clearing NWH	0	64		64	0
Flower fund NWH	74	0		0	74
Music NWH	2,757	1,300		2,275	1,782
General activity WI	20,057	38,605		28,705	29,957
PTSO WI	15,862	35,737		29,683	21,916
Library WI	246	12,457		12,349	354
Cindy Brisco memorial	0	1,025		625	400
General activity REL	18,280	13,328		12,648	18,960
Pre school GW	30	0		0	30
Music GW	1,070	0		0	1,070
Attendance incentive	939	0		0	939
Administrative activity	17,075	1,504		1,129	17,450
Flower fund admin.	18	0		0	18
Professional development	0	1,750		0	1,750
District wide activity	901	26,114		809	26,206
Video duplication	27	70		0	97
Choctaw / misc. donations	14,433	10,893		15,055	10,271
Teacher of the year	4	3,750		2,750	1,004
Durant schools elem. summer	14,761	178,653		192,100	1,314
Dist. special act.	27,638	57,162		45,626	39,174
DIS band	4,237	393		1,644	2,986
DIS flower fund	336	520		503	353
DIS library	9,563	14,588		12,457	11,694
DIS. PSO	634	0		0	634
DIS annual	3,958	4,836		3,330	5,464
DIS clearing	0	531		531	0
DIS student council	598	0		0	598
Transportation	0	0		104	(104)

	<u>BALANCE</u> 7-01-13	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-14
Watch D.O.G.S	\$ 595	0		0	595
DIS greenhouse	4,205	1,385		2,565	3,025
DIS circle the state choir	1,367	3,557		2,466	2,458
DIS box tops	3,700	1,806		55	5,451
Goddard youth camp	11,439	45,876		39,712	17,603
Magic triad	185	0		0	185
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 414,746</u>	<u>1,036,350</u>	<u>0</u>	<u>957,496</u>	<u>493,600</u>

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through No.</u>	<u>Program or Award Amount</u>	<u>Balance at 7/1/13</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 6/30/14</u>
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060		\$ 204,311	0	204,223	204,223	0
<u>Passed Through State Department of Education:</u>							
Title I, Basic Program	84.010		909,257		524,182	822,012	297,831
Title I, Basic Program - Note	84.010			530,533	530,533		
Title II, Part A	84.367		146,299		70,443	75,972	5,530
Title II, Part A - Note	84.367			30,904	30,904		
Title VI, Part B	84.358		95,103		51,089	61,520	10,431
Title VI, Part B - Note	84.358			50,290	50,290		
<u>Special Education Programs:</u>							
*IDEA-B Flowthrough	84.027		791,231		474,898	705,439	230,540
*IDEA-B Flowthrough - Note	84.027			53,187	53,187		
*IDEA-B Preschool	84.173		22,355		20,272	22,112	1,839
*IDEA-B Preschool - Note	84.173			1,847	1,847		
Sub Total			<u>1,964,245</u>	<u>666,761</u>	<u>1,807,645</u>	<u>1,687,055</u>	<u>546,171</u>
<u>Passed Through State Department of Career & Tech. Education:</u>							
Carl Perkins	84.048		51,463			51,108	51,108
Carl Perkins - Note	84.048			30,013	30,013		
Carl Perkins Bridge	84.048		25,000			23,731	23,731
Carl Perkins Bridge - Note	84.048			20,684	20,684		
Carl Perkins High Schools That Work	84.048		8,537			8,444	8,444
Carl Perkins High Schools That Work - Note	84.048			8,500	8,500		
Sub Total			<u>85,000</u>	<u>59,197</u>	<u>59,197</u>	<u>83,283</u>	<u>83,283</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
<u>*Child Nutrition Programs:</u>							
School breakfast program	10.553				391,634	351,041	
National school lunch program	10.555				924,473	924,473	
Summer food program	10.559				15,720	15,720	
Summer food program	10.559			19,803	19,803		
Sub Total				<u>19,803</u>	<u>1,351,630</u>	<u>1,291,234</u>	
<u>Passed Through Department of Human Services:</u>							
<u>*Non-cash assistance - commodities - Note 1</u>							
National school lunch program	10.555				76,701	76,701	
<u>U.S. Department of Health and Human Services:</u>							
<u>Direct Programs:</u>							
Safe and Drug Free School	93.276		125,000			86,450	86,450
Safe and Drug Free School - C/O	93.276		57,735		42,062	42,062	
Safe and Drug Free School - Note	93.276			31,097	31,097		
Sub Total			<u>182,735</u>	<u>31,097</u>	<u>73,159</u>	<u>128,512</u>	<u>86,450</u>
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		56,745			56,180	56,180
Johnson O'Malley - Note	15.130			23,439	23,439		
Rehabilitation services	84.126		4,375		8,050	4,375	
Sub Total			<u>61,120</u>	<u>23,439</u>	<u>31,489</u>	<u>60,555</u>	<u>56,180</u>
Total Federal Assistance			<u>\$ 2,497,411</u>	<u>800,297</u>	<u>3,604,044</u>	<u>3,531,563</u>	<u>772,084</u>

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

Note 1 - Commodities received by the District in the amount of \$76,701 were of a non-monetary nature and therefore the total revenue does not agree with the Financial Statements by this amount.

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2014

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Jordan Hoefler Agency	Treasurer	LPO2012361	\$ 100,000	7/01/13 - 7/01/14
Old Republic Surety-	Superintendent	LPO2111756	100,000	7/01/13 - 7/01/14
	Encumbrance clerk	W150106845	100,000	9/01/13 - 9/01/14
RLI Surety-	Activity Fund/Minutes clerk	LSM0374411	100,000	7/01/13 - 7/01/14
	Child Nutrition cashiers	RSB8007085	90,000	9/01/13 - 9/01/14
	School Secretaries	RSB8007085	80,000	9/01/13 - 9/01/14

INDEPENDENT SCHOOL DISTRICT NO. I-72, BRYAN COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

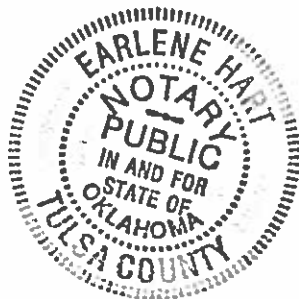
State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Durant Public Schools for the audit year 2013-14.

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

By Jeffrey D. Hewett
Authorized Agent

Subscribed and sworn to before me
This 6th day of January, 2015



Earlene Hart
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2016
Commission No. 00008621