

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

**LIBERTY INDEPENDENT SCHOOL DISTRICT NO. I-14,  
TULSA COUNTY, OKLAHOMA**

**JUNE 30, 2013**

Audited by

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

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013

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INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
JUNE 30, 2013

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JUNE 30, 2013

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

January 7, 2014

The Honorable Board of Education  
Liberty School District Number I-14  
Mounds, Tulsa County, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Liberty School District Number I-14, Mounds, Tulsa County, Oklahoma (the District), as of and for the year ended June 30, 2013, 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, 2013, 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, 2013, 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 State4s, 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 January 7, 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

January 7, 2014

The Honorable Board of Education  
Liberty School District Number I-14  
Mounds, Tulsa 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 Liberty School District Number I-14, Mounds, Tulsa County, Oklahoma (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 7, 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.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP





# SANDERS, BLEDSOE & HEWETT

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

January 7, 2014

The Honorable Board of Education  
Liberty School District Number I-14  
Mounds, Tulsa County, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited Liberty School District Number I-14, Mounds, Tulsa 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, 2013. 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, 2013.

## 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.



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Certified Public Accounts, LLP

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL  
INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2013

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

**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 significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major were the Title I Program (84.010), which was not clustered in determination, and the IDEA-B Special Education Programs (84.027, 84.173) and the Child Nutrition Program (10.553, 10.555), 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-14, TULSA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2013

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GIFTS AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash	\$ 588,907	75,737	170,520	206,848	179,347		1,221,359
Amounts available in debt service						17,636	17,636
Amount to be provided for retirement of long-term debt						2,560,387	2,560,387
Total Assets	<u>\$ 588,907</u>	<u>75,737</u>	<u>170,520</u>	<u>206,848</u>	<u>179,347</u>	<u>2,578,023</u>	<u>3,799,382</u>
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Warrants payable	\$ 114,633	6,439			29		121,101
Unmatured obligations				189,212			189,212
Funds held for school organizations					133,575		133,575
Long-term debt:							
Bonds payable						1,235,000	1,235,000
Capital leases						1,343,023	1,343,023
Total liabilities	<u>114,633</u>	<u>6,439</u>	<u>0</u>	<u>189,212</u>	<u>133,604</u>	<u>2,578,023</u>	<u>3,021,911</u>
Fund Equity:							
Cash fund balances	<u>474,274</u>	<u>69,298</u>	<u>170,520</u>	<u>17,636</u>	<u>45,743</u>	<u>0</u>	<u>777,471</u>
Total Liabilities and Fund Equity	<u>\$ 588,907</u>	<u>75,737</u>	<u>170,520</u>	<u>206,848</u>	<u>179,347</u>	<u>2,578,023</u>	<u>3,799,382</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA 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, 2013

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	GIFTS FUND	
Revenues collected:						
Local sources	\$ 599,036	99,834	297,363		500	996,733
Intermediate sources	152,018					152,018
State sources	2,583,532					2,583,532
Federal sources	637,247					637,247
Interest earnings	3,628	1				3,629
Non-revenue receipts:	112,403					112,403
Total revenues collected	<u>4,087,864</u>	<u>99,835</u>	<u>297,363</u>	<u>0</u>	<u>500</u>	<u>4,485,562</u>
Expenditures:						
Instruction	2,151,582				2,655	2,154,237
Support services	1,623,345	204,506			1,200	1,829,051
Operation of non-instructional services	321,920				594	322,514
Facilities acquisition & construction services		3,500				3,500
Other outlays :						
Other uses	319				2,000	2,319
Repayments	121					121
Bank fees and cash charges	28				1,000	1,028
Debt service requirements			293,963			293,963
Total expenditures	<u>4,097,315</u>	<u>208,006</u>	<u>293,963</u>	<u>0</u>	<u>7,449</u>	<u>4,606,733</u>
Excess of revenues collected over (under) expenditures before other financing sources	(9,451)	(108,171)	3,400	0	(6,949)	(121,171)
Other financing sources:						
Bond sale proceeds				165,000		165,000
Excess of revenues collected over (under) expenditures	(9,451)	(108,171)	3,400	165,000	(6,949)	43,829
Cash fund balances, beginning of year	<u>483,725</u>	<u>177,469</u>	<u>14,236</u>	<u>5,520</u>	<u>52,692</u>	<u>733,642</u>
Cash fund balances, end of year	<u>\$ 474,274</u>	<u>69,298</u>	<u>17,636</u>	<u>170,520</u>	<u>45,743</u>	<u>777,471</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA 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, 2013

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 530,876	530,876	599,036	68,160
Intermediate sources	128,943	128,943	152,018	23,075
State sources	2,531,593	2,531,593	2,583,532	51,939
Federal sources	627,919	627,919	637,247	9,328
Interest earnings	6,000	6,000	3,628	(2,372)
Non-revenue receipts	96,500	96,500	112,403	15,903
Total revenues collected	3,921,831	3,921,831	4,087,864	166,033
Expenditures:				
Instruction	2,151,582	2,151,582	2,151,582	
Support services	1,623,345	1,623,345	1,623,345	
Operation of non-instruction services	321,920	321,920	321,920	
Other outlays:				
Other uses	308,588	308,588	319	308,269
Repayments	121	121	121	
Bank fees and cash charges			28	(28)
Total expenditures	4,405,556	4,405,556	4,097,315	308,241
Excess of revenues collected over (under) expenditures	(483,725)	(483,725)	(9,451)	474,274
Cash fund balance, beginning of year	483,725	483,725	483,725	0
Cash fund balance, end of year	\$ 0	0	474,274	474,274

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA 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, 2013

	SPECIAL REVENUE FUNDS (Building Fund)		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 65,411	99,834	34,423
Interest earnings		1	1
Total revenues collected	65,411	99,835	34,424
Expenditures:			
Support services		204,506	(204,506)
Facilities acquisition & construction services		3,500	(3,500)
Other uses	242,880		242,880
Total expenditures	242,880	208,006	34,874
Excess of revenues collected over (under) expenditures	(177,469)	(108,171)	69,298
Cash fund balances, beginning of year	177,469	177,469	0
Cash fund balances, end of year	\$ 0	69,298	69,298

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



INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA 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, 2013

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 278,427	297,363	18,936
Requirements:			
Bonds	270,000	270,000	
Coupons	22,663	22,663	
Accrual adjustment		1,300	1,300
Total requirements	292,663	293,963	1,300
Excess of revenue collected over (under) expenditures	(14,236)	3,400	17,636
Cash fund balance, beginning of year	14,236	14,236	0
Cash fund balance, end of year	\$ 0	17,636	17,636

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements – regulatory basis of the Liberty Public Schools Independent District No. I-14 (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-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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 fund.

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-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Fund Accounting - cont'd

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. This fund was operated through the general fund for the 2012-13 fiscal 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 only maintained a gifts and endowment fund during the 2012-13 fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Fund Accounting - cont'd

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

C. Basis of Accounting – cont'd

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**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.

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.

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.

Inventories – The value of consumable inventories at June 30, 2013, is not material to the combined financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

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

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.

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



INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

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-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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 2012-13 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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, 2013, was \$1,035,445. 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 – At June 30, 2013, the District did not maintain any investments.

*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, 2013.

**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.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

**4. GENERAL LONG-TERM DEBT – cont'd**

General long-term debt of the District consists of building 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, 2013:

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Totals</u>
Balance, July 1, 2012	\$ 1,005,000	1,811,367	2,816,367
Additions	545,000		545,000
Retirements	<u>(315,000)</u>	<u>(468,344)</u>	<u>(783,344)</u>
Balance, June 30, 2013	<u>\$ 1,235,000</u>	<u>1,343,023</u>	<u>2,578,023</u>

A brief description of the outstanding long-term debt at June 30, 2013, is set forth below:

	<u>Amount Outstanding</u>
<b><u>General Obligation Bonds:</u></b>	
Building Bonds, Series 2012, original issue \$380,000, interest rates of .75% to 1.80%, due in annual installments of \$100,000, final payment of \$100,000, due 7-01-17	\$ 380,000
Combined Purpose Bonds, Series 2013, original issue \$165,000, interest rates of .60% to 3.00%, due in annual installments of \$25,000, final payment of \$40,000, due 6-01-20	165,000
Combined Purpose Bonds, Series 2010, original issue \$200,000, interest rates of 2.60% to 2.00%, due in annual installments of \$50,000, final payment of \$50,000, due 7-1-15	150,000

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

4. GENERAL LONG-TERM DEBT – cont'd	<u>Amount Outstanding</u>
General Obligation Bonds, Series 2011, original issue \$540,000, interest rates of 1.00% to 2.25%, due in annual installments of \$140,000, final payment of \$140,000, due 7-1-16	\$ 540,000
<u>Capital Leases:</u>	
Lease purchase of copiers, dated 10-13-11 totaling \$44,334, due in monthly principal and interest payments of \$845, final payment due 10-15-16	39,090
Lease purchase of MAC computers, dated 06-11-12 totaling \$263,053, due in annual principal and interest payments of \$89,380, final payment due 07-11-1	173,733
Lease purchase for new Liberty Schools Project, Series 2010, for \$1,938,800, due in annual principal and interest installments varying from \$130,750 to \$573,900, final payment due 9-01-17 (see Note 8)	<u>1,130,200</u>
Total	<u>\$ 2,578,023</u>

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
2014	\$ 267,277	16,138	283,415
2015	525,117	17,601	542,718
2016	737,717	11,588	749,305
2017	277,673	7,197	284,870
2018-2022	770,239	3,364	773,603
Total	\$ 2,578,023	55,888	2,633,911

Interest paid on general long-term debt during the 2012-13 fiscal year totaled \$22,531.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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 73152, or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. 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 2012-13 fiscal year, the District contributed 9.50% and the State of Oklahoma contributed the remaining amount during this year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**5. EMPLOYEE RETIREMENT SYSTEM AND PLAN - cont'd**

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 2013, 2012, and 2011 were \$302,981, \$325,527, and \$278,096 respectively.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. 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](http://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 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.



INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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 January 13, 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.

**8. LEASE REVENUE BONDS**

On September 1, 2010, the Tulsa County Industrial Authority issued \$1,938,800 of Educational Facilities Lease Revenue Bonds Liberty Public Schools Project Series 2010, to provide funds for the constructing, equipping, repairing and remodeling of school buildings, acquiring furniture, fixtures and equipment and acquiring and improving school sites for the benefit of Liberty School District. Also on September 1, 2010, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Tulsa County Industrial Authority. In addition, the District entered into a sublease, as lessee, with the Tulsa County Industrial Authority. The sublease calls for five (5) annual payments starting September 1, 2011. These payments will be made out of bond funds, pursuant to the issuance of series bonds in the amount of \$1,725,000, on March 2, 2010. Liberty Public Schools will gain ownership to the capital improvements incrementally as each payment is made.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES -  
 ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS  
 JUNE 30, 2013

	2008 BUILDING BOND	2010 BUILDING BOND	TOTALS (MEMORANDUM ONLY)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash	\$       5,520	165,000	170,520
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>LIABILITIES</u>			
Fund Equity:			
Cash fund balances	\$       5,520	165,000	170,520
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Equity	\$       5,520	165,000	170,520
	<u>                    </u>	<u>                    </u>	<u>                    </u>

INDEPENDENT SCHOOL DISTRICT NO.1-14, TULSA COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

	2011 COMBINED PURPOSE (32) BOND	2013 BUILDING (39) BOND	TOTAL
Revenues Collected:			
Interest earnings	\$ 0	0	0
Expenditures:			
Total expenditures	0	0	0
Excess of revenues collected over (under) expenditures before other financing sources (uses)	0	0	0
Other financing sources (uses):			
Bond sale proceeds	0	165,000	165,000
Excess of revenues collected over (under) expenditures	0	165,000	165,000
Cash fund balances, beginning of year	5,520	0	5,520
Cash fund balances, end of year	<u>\$ 5,520</u>	<u>165,000</u>	<u>170,520</u>

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES -  
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2013

	NON-EXPENDABLE TRUST FUNDS	AGENCY FUNDS	TOTALS (MEMORANDUM ONLY)
<u>ASSETS</u>	GIFTS FUND	SCHOOL ACTIVITY FUNDS	
Cash	\$ 45,772	133,575	179,347
<u>LIABILITIES</u>			
Liabilities:			
Warrants payable	\$ 29		29
Funds held for school organizations		133,575	133,575
Total liabilities	29	133,575	133,604
Fund Equity:			
Cash fund balances	45,743	0	45,743
Total Liabilities and Fund Equity	\$ 45,772	133,575	179,347

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

	BALANCE 7-01-12	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-13
<u>ASSETS</u>					
Cash	\$ 116,141	363,374	0	345,940	133,575
<u>LIABILITIES</u>					
Funds held for school organizations:					
Elementary	\$ 7,696	9,843		11,218	6,321
Bookfair	1,623	6,289		6,563	1,349
Middle school cheerleaders	516	764		701	579
5/6 pencil sales	511	0		0	511
7/8 activity	501	645		528	618
Class of 2014	1,270	3,950		3,449	1,771
Class of 2015	87	1,831		0	1,918
Class of 2012	0	131		0	131
Class of 2013	997	533		1,020	510
High School activity	494	470		730	234
JR/SR High library	249	872		938	183
Yearbook	762	6,689		1,017	6,434
Student council	793	2,219		2,106	906
FCCLA	562	2,474		2,316	720
Band	1,645	3,833		3,119	2,359
High school cheerleaders	3,336	15,136		14,725	3,747
FFA	40,203	44,291		38,379	46,115
Athletic	19,139	93,754		87,863	25,030
Spanish club	0	3,011		2,727	284
General fund refund	40	20,004		19,969	75
General activity	6,005	7,515		10,279	3,241
Extended day care	1,124	111,955		109,538	3,541
National honor society	0	1,676		1,058	618
Class of '94 scholarship	464	265		300	429
Fellowship christian athletics	100	0		0	100
5/6 grade center	5,775	1,290		729	6,336
7/8 pencil sales	1,203	0		162	1,041
B.P.A.	627	64		306	385
7/8 student council	858	0		0	858
5/6 student council	593	0		168	425
Athletic special project	10,814	8,995		11,207	8,602
Christmas club	7,950	14,875		14,825	8,000
Wrestling fund	204	0		0	204
Total Liabilities	\$ 116,141	363,374	0	345,940	133,575

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/12	Revenue Collected	Total Expenditures	Balance at 6/30/13
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060	S060A120001	\$ 32,694		32,694	32,694	
Impact Aid Operations	84.041	S041B134044	119,408		119,408	21,384	
Small, School Achievement Program	84.358A	S358A125521	37,915		37,915	37,915	
Sub Total			<u>190,017</u>	<u>0</u>	<u>190,017</u>	<u>91,993</u>	<u>0</u>
<u>Passed Through State Department of Education:</u>							
*Title I, Basic Program	84.010		129,497		124,497	124,497	
Title I, Basic Program - 2011-12 - Note	84.010			1,531	1,531		
Title II, Part A	84.367		22,780		22,780	22,780	
*IDEA-B Flowthrough	84.027		122,713		122,683	122,683	
IDEA-B Flowthrough - 2011-12 - Note	84.027			4,474	4,474		
*IDEA-B Preschool	84.173		1,400		1,362	1,362	
Sub Total			<u>276,390</u>	<u>6,005</u>	<u>277,327</u>	<u>271,322</u>	<u>0</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				18,486	18,486	
National School Lunch Program	10.555				100,509	100,509	
Sub Total					<u>118,995</u>	<u>118,995</u>	
<u>Passed Through Department of Human Services:</u>							
<u>*Non-cash assistance - commodities - Note 1</u>							
National School Lunch Program	10.555				11,520	11,520	
<u>Other Federal Assistance:</u>							
DEQ Grant	66.n/a		105,044		48,792	51,292	2,500
Flood Control	12.112		3		3	3	
Rehab Services	84.126		2,113		2,113	2,113	
Sub Total			<u>107,160</u>	<u>0</u>	<u>50,908</u>	<u>53,408</u>	<u>2,500</u>
Total Federal Assistance			<u>\$ 573,567</u>	<u>6,005</u>	<u>648,767</u>	<u>547,238</u>	<u>2,500</u>

\* Major Programs

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 \$11,520 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this account.

Note 2 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2013

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Keystone Insurance Agency - Old Republic Surety Co.	Treasurer	PEB-2108305	\$ 100,000	7/1/12 - 7/1/13
	Superintendent	PEB-2108305	100,000	7/1/12 - 7/1/13
	Encumbrance Clerk	PEB-2108305	5,000	7/1/12 - 7/1/13
	Activity Fund Custodian	PEB-2108305	5,000	7/1/12 - 7/1/13
	Minutes Clerk	PEB-2108305	5,000	7/1/12 - 7/1/13
	Lunch Fund Custodian	PEB-2108305	5,000	7/1/12 - 7/1/13

INDEPENDENT SCHOOL DISTRICT NO. I-14, TULSA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2012 TO JUNE 30, 2013

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 Liberty Public Schools for the audit year 2012-13.

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

By \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me  
This 7<sup>th</sup> day of January 2014

\_\_\_\_\_  
Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-16  
Commission No. 00008621