FINANCIAL STATEMENTS - REGULATORY BASIS AND REPORTS OF INDEPENDENT AUDITOR

MADILL SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY, OKLAHOMA

JUNE 30, 2014

Audited by

JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK

INDEPENDENT SCHOOL DISTRICT NO. I-2
MARSHALL COUNTY, OKLAHOMA
JUNE 30, 2014

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MARSHALL COUNTY, OKLAHOMA
JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. I-2
MARSHALL COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD OF EDUCATION

President	Tony Hawkins
Vice-President	Ian Chapman
Clerk	Fermon Johnson
Member	Clay Savage
Member	Sibyl Cantrell

SUPERINTENDENT OF SCHOOLS

Jon Tuck

MINUTES CLERK &
SCHOOL DISTRICT TREASURER

Carol Combs

Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Madill School District No. I-002
Madill, Oklahoma 73446-2846

Report on the Financial Statements
I have audited the accompanying basic financial statements-regulatory basis of the governmental activities, each major fund and the aggregate remaining fund information of Madill School District No. I-002, Madill, Oklahoma (the "District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements 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
My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Madill School District No. I-002, 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 reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because the significance of the matter discussed in the previous paragraph, the basic 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 governmental activities, each major fund, and the aggregate remaining

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fund information of the Madill School District No. I-002, Marshall County, Oklahoma 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 assets 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 my opinion, except for the effects of the matter described in the preceding paragraph, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-regulatory basis of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position-regulatory basis for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit* Organizations, and combining statements listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, I have also issued a report dated January 30, 2015, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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.

Jack H. Jenkins
Certified Public Accountant, P.C.

January 30, 2015

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (Memorandum Only)	
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	2014	2013
Cash	$ 1,878,017	657,547	771,743	2,172,217	197,410		5,676,934	4,354,370
Amounts available in debt service						47,158	47,158	56,757
Amounts to be provided for retirement of general long-term debt						4,503,698	4,503,698	2,628,243
Total Assets	1,878,017	657,547	771,743	2,172,217	197,410	4,550,856	10,227,790	7,039,370
LIABILITIES AND FUND EQUITY								
Liabilities								
Warrants payable	700,657	59,682					760,339	646,504
Encumbrances	31,142	28,694					59,836	106,863
Funds held for school organizations					197,410		197,410	174,171
Unmatured obligations			724,585				724,585	730,991
Long-term debt:								
Bonds payable						4,460,000	4,460,000	2,685,000
Capital leases						90,856	90,856	-
Total liabilities	731,799	88,376	724,585	-	197,410	4,550,856	6,293,026	4,343,529
Fund Equity								
Cash fund balances	1,146,218	569,171	47,158	2,172,217			3,934,764	2,695,841
Total Liabilities and Fund Equity	$ 1,878,017	657,547	771,743	2,172,217	197,410	4,550,856	10,227,790	7,039,370

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

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	2014	2013
Revenues						
Local sources	$ 2,002,494	301,440	917,759		3,221,693	3,198,618
Intermediate sources	311,838				311,838	312,741
State sources	8,101,823	103,116			8,204,939	8,253,904
Federal sources	1,040,866	598,860			1,639,726	1,760,652
Non-revenue receipts	44,184	97,152	21,416		162,752	96,866
Total revenues	11,501,205	1,100,568	939,175		13,540,948	13,622,781
Expenditures						
Instruction	7,471,057			23,750	7,494,807	7,179,022
Support services	4,430,697	226,254		165,052	4,822,003	4,591,680
Operation of non-instructional services		837,850			837,850	769,714
Facilities, acquisition and const. services		32,122		818,813	850,935	2,026,025
Other uses	39,532				39,532	62
Debt service			948,774		948,774	955,521
Repayments						17,915
Total expenditures	11,941,286	1,096,226	948,774	1,007,615	14,993,901	15,539,939
Revenues over (under) expenditures	(440,081)	4,342	(9,599)	(1,007,615)	(1,452,953)	(1,917,158)
Other financing sources (uses)						
Lapsed appropriations	21,087	10,008			31,095	62,268
Estopped warrants	780				780	1,766
Bank charges						(20)
Bond proceeds				2,660,000	2,660,000	
Total other financing sources (uses)	21,867	10,008		2,660,000	2,691,875	64,014
Revenue and other sources over (under) expenditures and other uses	(418,214)	14,350	(9,599)	1,652,385	1,238,922	(1,853,144)
Cash fund balance, beginning of year	1,564,432	554,821	56,757	519,831	2,695,841	4,548,985
Cash fund balance, end of year	$ 1,146,218	569,171	47,158	2,172,216	3,934,763	2,695,841

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

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2014

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 1,850,887	1,850,887	2,002,494
Intermediate sources	285,749	285,749	311,838
State sources	7,929,826	7,929,826	8,101,823
Federal sources	923,544	923,544	1,040,866
Non-revenue receipts			44,184
Total revenues	10,990,006	10,990,006	11,501,205
Expenditures			
Instruction			7,471,057
Support services			4,430,697
Other uses			39,532
Non-categorical	12,554,438	12,554,438	
Total expenditures	12,554,438	12,554,438	11,941,286
Revenues over (under) expenditures	(1,564,432)	(1,564,432)	(440,081)
Other financing sources (uses)			
Lapsed appropriations			21,087
Estopped warrants			780
Total other financing sources (uses)			21,867
Revenue and other sources over (under) expenditures and other uses	(1,564,432)	(1,564,432)	(418,214)
Cash fund balance, beginning of year	1,564,432	1,564,432	1,564,432
Cash fund balance, end of year	$ -	-	1,146,218

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

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 304,310	304,310	301,440
State sources	71,283	71,283	103,116
Federal sources	534,654	534,654	598,860
Non-revenue receipts	76,307	76,307	97,152
Total revenues	986,554	986,554	1,100,568
Expenditures			
Support services			226,254
Operation of non-instructional services			837,850
Facilities acquisitions and construction			32,122
Non-categorical	1,541,375	1,541,375	
Total expenditures	1,541,375	1,541,375	1,096,226
Revenues over (under) expenditures	(554,821)	(554,821)	4,342
Other financing sources (uses)			
Lapsed appropriations			10,008
Total other financing sources (uses)			10,008
Revenue and other sources over (under) expenditures and other uses	(554,821)	(554,821)	14,350
Cash fund balance, beginning of year	554,821	554,821	554,821
Cash fund balance, end of year	$ -	-	569,171

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

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2014

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 892,017	892,017	917,759
Non-revenue receipts			21,416
Total revenues	892,017	892,017	939,175
Expenditures			
Other outlays			
Debt service	948,774	948,774	948,774
Revenues over (under) expenditures	(56,757)	(56,757)	(9,599)
Cash fund balance, beginning of year	56,757	56,757	56,757
Cash fund balance, end of year	$ -	-	47,158

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

NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

The basic financial statements of the Madill Public Schools Independent District No. I-2 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. 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. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

1. **Summary of Significant Accounting Policies-** contd.

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 Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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 the 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.

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

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 fiscal 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.

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 Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

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. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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 fiscal year.

Gifts Fund - The gifts 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.

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 fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

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

1. **Summary of Significant Accounting Policies**- contd.

B. *Fund Accounting* - contd.

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, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments.* This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

1. **Summary of Significant Accounting Policies-** contd.

C. Basis of Accounting and Presentation – contd.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

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.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank 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.

1. **Summary of Significant Accounting Policies-** contd.

E. Assets, Liabilities and Fund Equity – contd.

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

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset 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 co-curricular 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. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money 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 roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owned. 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 interest earnings, 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 were 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 or additions of revenue of the year when the adjustment is made.

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures- contd.

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 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 pass-through 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.

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 co-curricular 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.

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures - contd.

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 improvement to sites.

Other Outlays/Uses 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) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure 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.

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

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

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately $5,676,934 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no investments held at June 30, 2014.

3. General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be 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 building bonds payable and one (1) capital lease. Debt service requirements for bonds are payable 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	$ 2,685,000	-	2,685,000
Additions	2,660,000	150,000	2,810,000
Retirements	885,000	59,144	944,144
Balance, June 30, 2014	$ 4,460,000	90,856	4,550,856

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

	Amount outstanding
General Obligation Bonds	
Building Bonds, Series 2010, original issue $1,175,000, interest rate of 1.35-2.9%, initial installment of $185,000, due in annual installments of $330,000, final payment due 7-01-15;	$ 660,000
Building Bonds, Series 2011, original issue $1,340,000, interest rate of 1.3-1.75%, initial installment of $200,000, due in annual installments of $380,000, final payment due 7-01-16;	1,140,000
Comb. Purp. Bonds, Series 2013, original issue $2,660,000, interest rate of 1.25%, initial installment of $350,000, annual installments thereafter of $770,000, final payment due 11-01-18;	$ 2,660,000

3. **General Long-term Debt** – contd

	Amount outstanding
Capital Leases	
Lease-purchase for three school buses, totaling $150,000, interest rate of 2.96%, due in annual principal and interest payments of $32,122, final payment due 2-01-17;	$ 90,856
Total	$ 4,550,856

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2015	$ 710,000	62,420	772,420
2016	1,060,000	51,490	1,111,490
2017	1,150,000	35,525	1,185,525
2018	770,000	19,250	789,250
2019	770,000	9,625	779,625
Total	$ 4,460,000	178,310	4,638,310

There was $70,180 interest paid on general long-term debt incurred during the current year.

Year ending June 30	Principal	Interest	Total
2015	$ 29,395	2,727	32,122
2016	30,277	1,845	32,122
2017	31,184	938	32,122
Total	$ 90,856	5,510	96,366

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, 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 Teachers' Retirement System of Oklahoma, P.O. Box 53524, 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. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's 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.

4. **Employee Retirement System** – contd.

Annual Pension Cost
The District's portion of the total contributions for 2014, 2013 and 2012 were $722,115, $717,088, and $717,777 respectively.

5. **Contingencies**

Amounts received or receivable from grantor 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. **Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, 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.

OTHER SUPPLEMENTARY INFORMATION – REGULATORY BASIS - COMBINING FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2014

ASSETS	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only) 2014	2013
Cash	$ 262,917	394,630	657,547	619,386
LIABILITIES AND FUND EQUITY				
Liabilities				
Warrants payable	18,947	40,735	59,682	44,394
Encumbrances	20,027	8,667	28,694	20,171
Total liabilities	38,974	49,402	88,376	64,565
Fund Equity				
Cash fund balances	223,943	345,228	569,171	554,821
Total Liabilities and Fund Equity	$ 262,917	394,630	657,547	619,386

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2014

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only) 2014	2013
Revenues				
Local sources	$ 281,422	20,018	301,440	310,704
State sources		103,116	103,116	72,022
Federal sources		598,860	598,860	562,794
Non-revenue receipts		97,152	97,152	80,323
Total revenues	281,422	819,146	1,100,568	1,025,843
Expenditures				
Support services	226,254		226,254	238,883
Operation of non-instructional services		837,850	837,850	769,714
Facilities, acquisition and const. services	32,122		32,122	19,516
Total expenditures	258,376	837,850	1,096,226	1,028,113
Revenues over (under) expenditures	23,046	(18,704)	4,342	(2,270)
Other financing sources (uses)				
Lapsed appropriations	7,099	2,909	10,008	21,284
Estopped warrants			-	244
Total other financing sources (uses)	7,099	2,909	10,008	21,528
Revenue and other sources over (under) expenditures and other uses	30,145	(15,795)	14,350	19,258
Cash fund balance, beginning of year	193,798	361,023	554,821	535,563
Cash fund balance, end of year	$ 223,943	345,228	569,171	554,821

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2014

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	$ 264,193	264,193	281,422	40,117	40,117	20,018
State sources				71,283	71,283	103,116
Federal sources				534,654	534,654	598,860
Non-revenue receipts				76,307	76,307	97,152
Total revenues	264,193	264,193	281,422	722,361	722,361	819,146
Expenditures						
Support services			226,254			
Operation of non-instructional services						837,850
Facilities acquisitions and construction			32,122			
Non-categorical	457,991	457,991		1,083,384	1,083,384	
Total expenditures	457,991	457,991	258,376	1,083,384	1,083,384	837,850
Revenues over (under) expenditures	(193,798)	(193,798)	23,046	(361,023)	(361,023)	(18,704)
Other financing sources (uses)						
Lapsed appropriations			7,099			2,909
Total other financing sources (uses)			7,099			2,909
Revenue and other sources over (under) expenditures and other uses			30,145			(15,795)
Cash fund balance, beginning of year	193,798	193,798	193,798	361,023	361,023	361,023
Cash fund balance, end of year	$ -	-	223,943	-	-	345,228

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2014

ASSETS	2011 COMB PURP. BOND FUND	2014 BUILDING BOND FUND	TOTALS (Memorandum Only) 2014	2013
Cash	$ 229,592	1,942,624	2,172,216	520,189
LIABILITIES AND FUND EQUITY				
Liabilities				
Warrants payable				358
Total liabilities				358
Fund Equity				
Cash fund balances	229,592	1,942,624	2,172,216	519,831
Total Liabilities and Fund Equity	$ 229,592	1,942,624	2,172,216	520,189

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	2011 COMB PURP. BOND FUND	2014 BUILDING BOND FUND	2014 TRANS. BOND FUND	TOTALS (Memorandum Only) 2014	2013
Revenue					
Local sources				-	-
Expenditures					
Instruction		23,750		23,750	-
Support services	$ 4,824	228	160,000	165,052	-
Facilities, acquisition & const. services	285,415	533,398		818,813	1,971,387
Total expenditures	290,239	557,376	160,000	1,007,615	1,971,387
Revenues over (under) expenditures	(290,239)	(557,376)	(160,000)	(1,007,615)	(1,971,387)
Other financing sources (uses)					
Bond proceeds		2,500,000	160,000	2,660,000	-
Total other financing sources (uses)	-	2,500,000	160,000	2,660,000	-
Revenue and other sources over (under) expenditures and other uses	(290,239)	1,942,624	-	1,652,385	(1,971,387)
Cash fund balance, beginning of year	519,831	-	-	519,831	2,491,218
Cash fund balance, end of year	$ 229,592	1,942,624	-	2,172,216	519,831

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2014

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2014	2013
ASSETS		
Cash	$ 197,410	174,171
LIABILITIES AND FUND EQUITY		
Liabilities		
Funds held for school organizations	$ 197,410	174,171

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Activities	Balance July 1, 2013	Additions	Net Transfers	Deletions	Balance June 30, 2014
Football	$ 5,899	40,099		38,502	7,496
Boys Basketball	4,295	19,902		15,844	8,353
Girls Basketball	1,099	10,934		8,926	3,107
HS Golf	457	2,396		2,630	223
Boys Baseball	3,663	38,038	100	27,283	14,518
HS Soccer	-	12,996		12,031	965
Wrestling	161	6,542	1,000	5,189	2,514
Girls Softball-Slow Pitch	-	-	1,400	-	1,400
Boys Track	1,420	9,330		6,429	4,321
Girls Track	2,830	6,314		6,969	2,175
Cross Country	2,452	6,542	(60)	3,929	5,005
Girls Softball	3,478	15,165	(1,400)	16,780	463
Mid-Winter Classic	4,623	20,940	(402)	15,544	9,617
Annual	7,232	15,409	150	18,337	4,454
Georgeann Ewing Scholarship	59	-	(59)	-	-
NAAP Archery	933	505		855	583
Athletic Concession	3,443	24,669		23,224	4,888
Band	1,833	15,531		17,302	62
Band Booster	10,705	12,277	436	15,419	7,999
MHS Colorguard Team	132	-	(132)	-	-
Math/Science Club	305	260		556	9
Vocal Music	477	1,853	356	2,198	488
Cheerleader Club	2,979	32,544	132	34,794	861
Care Committee Flower	135	-	(41)	94	-
FCA	271	-	145	-	416
FFA	25,181	87,682		93,758	19,105
FFA Community Projects	1,710	565		-	2,275
Horticulture	3,542	-		-	3,542
FCCLA	978	-		787	191
TSA-Tech Student Association	2,051	-	60	752	1,359
S.A.D.D. Chapter	415	382		221	576
Letterman's Club	415	5,139		5,400	154
Beta Club	107	98		98	107
HS Art	429	50		-	479
All Sports Booster Club	1,236	7,176	(1,485)	5,144	1,783
Alternative Education Activities	137	1,848		1,339	646
HS Miscellaneous	854	6,923	41	3,368	4,450
Native American Club	117	-	(117)	-	-
JOM Parent Committee	1	-	117	-	118
National Honor Society	230	2,276		2,311	195
Student Council	483	2,231	(75)	890	1,749
HS Library	$ 101	267		272	96

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Activities	Balance July 1, 2013	Additions	Net Transfers	Deletions	Balance June 30, 2014
Business Professionals of America	$ 979	1,914	463	402	2,954
Class of 2017	1,557	2,186	350	126	3,967
Class of 2016	418	-		164	254
Class of 2015	153	4,653		3,758	1,048
Class of 2014	3,139	2,069		5,034	174
Sr. Class After Prom Party	350	2,605	(350)	2,358	247
Senior Scholarship Fund	4,878	6,129	59	4,675	6,391
HS Maintenance	1,411	-		65	1,346
Drivers Education	4	5,274		5,250	28
Competitive Speech Team	27	6,807		4,726	2,108
DARE Program	105	-		105	-
Child Nutrition Program	7,699	89,465	(12)	97,325	(173)
Hispanic Advisory Council	124	-		-	124
Special Olympics	1,426	3,371		1,894	2,903
MEA/APOE	1	-		-	1
MS Student Council	1,316	-	(100)	479	737
Bank Interest	3,076	13,107	736	12,307	4,612
MS Miscellaneous	2,908	11,850	(537)	13,960	261
MS Library	3,490	2,099		3,839	1,750
Teacher/Student Activity	236	-	(236)	-	-
MS Homemaking	49	-	(49)	-	-
MS FCA	146	-	(146)	-	-
MS Drama	363	5,726	(356)	5,733	-
MS Basketball	6,680	13,993		10,326	10,347
Elementary General Fund	3,846	5,824	791	5,525	4,936
Elementary Library	1,472	9,969		8,585	2,856
Elementary Carnival	8,623	-	(790)	-	7,833
Elementary Annual/Cat Meow	1	-	(1)	-	-
3rd-4th-5th Grade Classes	3,544	7,811		5,745	5,610
Project MAC	772	-		379	393
Elementary Art	6,235	356		2,039	4,552
ECC Beverages	5,571	3,334		1,745	7,160
Kindergarten Literacy Fund	2,353	7,634	139	8,074	2,052
First Grade Literacy Fund	2,620	4,160	(127)	3,113	3,540
ECC Library	1,604	6,006		5,093	2,517
Pre-K Classes	127	902		889	140
TOTAL ASSETS - AGENCY FUNDS	174,171	624,127	-	600,888	197,410
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	$ 174,171	624,127	-	600,888	197,410

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2013	Revenue Collected	Total Expenditures	Ending Balance 6/30/2014
U.S. Department of Education							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	S060A130287	$ 55,697		45,521	54,014	(8,493)
Title VII-Part A, Indian Education 2012-13 - Note 1	84.060	S060A120287		(9,120)	9,120		
Subtotal			55,697	(9,120)	54,641	54,014	(8,493)
Passed Through State Department of Education:							
* Title I-Part A, Improving Basic Programs	84.010		506,937		172,228	430,478	(258,250)
Title I-Part A, Improving Basic Programs 2012-13 - Note 1	84.010			(41,057)	41,057		
* Title I-Part A, School Improvement	84.010		837		729	729	
Title I-Part A, School Improvement 2012-13 - Note 1	84.010			(7,673)	7,673		
* Title I-Part A, Neglected	84.010		13,042		12,611	12,611	
Title II-Part A, Teacher & Principal Training	84.367		69,711		30,697	46,045	(15,348)
Title II-Part A 2012-13 - Note 1	84.367			(8,617)	8,617		
Title III-Part A English Language Acquisition	84.365		40,232		510	29,684	(29,174)
Title III-Part A English Language Acquisition 2012-13 - Note 1	84.365			(18,641)	18,641		
Special Education, Flowthrough, P.L. 105-17	84.027		363,114		234,445	354,014	(119,569)
Special Education, Flowthrough 2012-13 - Note 1	84.027			(25,018)	25,018		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		8,969		1,438	6,466	(5,028)
* Title IV-Part B, 21st Century	84.287		330,000		159,226	321,933	(162,707)
Title IV-Part B, 21st Century 2012-13 - Note 1	84.287			(77,942)	77,942		
Title VI-Small, Rural School Ach. Program	84.358		48,674		41,238	45,738	(4,500)
Title VI-Small, Rural School Ach. Program 2012-13 - Note 1	84.358			(863)	863		
Subtotal			1,381,516	(179,811)	832,933	1,247,697	(594,575)
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		27,229			27,229	(27,229)
Subtotal			$ 27,229	-	-	27,229	(27,229)

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2013	Revenue Collected	Total Expenditures	Ending Balance 6/30/2014
Federal Grantor/Pass Through Grantor/Program Title							
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				60,647	60,647	
Non-Cash Assistance Subtotal					60,647	60,647	
Cash Assistance:							
National School Lunch Program	10.555				476,611	476,611	
School Breakfast Program	10.553				122,249	122,249	
Cash Assistance Subtotal				-	598,860	598,860	-
Total For Program (Cluster)				-	659,507	659,507	-
Other Federal Assistance:							
Johnson O'Malley	15.130		$ 14,241		6,093	11,521	(5,428)
Johnson O'Malley 2012-13 - Note 1	15.130			(4,190)	4,190		
Medicaid	93.778		19,950		19,950	19,950	
Submarginal Lands	10.666		21,915		21,915	21,915	
OJT - Department of Rehabilitation Services	84.126		2,594		2,594	2,594	
FEMA	97.039		32,499		15,850	19,610	(3,760)
Gear Up	84.334S		48,998		48,998	48,998	
Gear Up 2012-13 - Note 1	84.334S			(33,702)	33,702		
Subtotal			140,197	(37,892)	153,292	124,588	(9,188)
Total Federal Assistance			$ 1,604,639	(226,823)	1,700,373	2,113,035	(639,485)

* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of $60,647 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2014

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
America First Insurance Co.	Superintendent	601009713	$100,000	7/1/13-7/1/14
	Treasurer	601073144	$100,000	3/15/14-3/15/15
	Activity Fund Custodian	601063531	$1,000	7/25/13-7/25/14
	Minutes Clerk	5057303	$1,000	7/1/13-7/1/14
	Encumbrance Clerk	69555276	$1,000	7/22/13-7/22/14
	Payroll Clerk	601073146	$1,000	3/15/14-3/15/15

Jack H. Jenkins, CPA *A Professional Corporation*

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

The Honorable Board of Education
Madill School District No. I-002
Madill, Oklahoma 73446-2846

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information-regulatory basis, of Madill School District No. I-002, Madill, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 30, 2015. This report 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 my audit of the financial statements, I considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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 over that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Jack H. Jenkins
Certified Public Accountant, P.C.

January 30, 2015

Jack H. Jenkins, CPA *A Professional Corporation*

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

The Honorable Board of Education
Madill School District No. I-002
Madill, Oklahoma 73446-2846

Report on Compliance for Each Major Federal Program
I have audited the compliance of Madill School District No. I-002, Madill, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its 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
My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
In my opinion, Madill School District No. I-002, Madill, Oklahoma 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.

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Report on Internal Control over Compliance

The management of Madill School District No. I-002, Madill, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I 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 my auditing procedures that are appropriate in the circumstances for the purpose of expressing my 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, I 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 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.

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

Jack H. Jenkins
Certified Public Accountant, P.C.

January 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2013 TO JUNE 30, 2014

Summary of Auditor's Results

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of the District were reported during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"

5. An unqualified opinion report was issued on the compliance of major federal award programs.

6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).

7. The programs tested as major federal programs were: Title I programs, Child Nutrition programs, which were each clustered in the determination and the 21st Century Grant.

8. The dollar threshold used to determine between Type A and Type B programs was $300,000.

9. The District did not qualify to be a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2013 TO JUNE 30, 2014

None.

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

State of Oklahoma)
County of Tulsa)

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

Jack H. Jenkins, CPA, P.C.
AUDITING FIRM

BY Jack H. Jenkins
AUTHORIZED AGENT

Subscribed and sworn to before me on this
30th day of, January, 2015

NOTARY PUBLIC

MICHAEL KEMPER
Notary Public
State of Oklahoma
Commission # 09009187 Expires 11/05/17

INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2013 TO JUNE 30, 2014

The annual independent audit for the Madill School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

> "The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

Superintendent of Schools

2-16-15
Date of Board Meeting

Board of Education President

D. Clay Sung
Board of Education Clerk

Board of Education Vice President

Mike Mathis
Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this 16 day of Feb, 2015
My commission expires on 20 day of NOV, 2017.

Notary Public

Affix Notary Seal

KARLA JENKINS
Notary Public in and for the
State of Oklahoma
Commission #09009637
My Commission expires 11/20/2017