FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR

McALESTER INDEPENDENT SCHOOL DISTRICT NO. I-80,
PITTSBURG COUNTY, OKLAHOMA

JUNE 30, 2014

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD OF EDUCATION

President

Dr. Janet Wansick

Vice-President

Angie Nelson

Clerk

Mike Sossamon

Members

David Turner

Stephanie Giacomo

SUPERINTENDENT OF SCHOOLS

Marsha Gore

SCHOOL DISTRICT TREASURER/ BUSINESS MANAGER

Brent Grilliot

www.mcalester.k12.ok.us

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
JUNE 30, 2014

TABLE OF CONTENTS

	Page
School District Officials	2
Table Of Contents	3-4
Independent Auditor's Report	5-6
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements - Regulatory Basis – Performed in Accordance with Government Auditing Standards	7-8
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9-10
Disposition of Prior Year's Reportable Conditions and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Equity All Fund Types and Account Groups – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15-17
Notes to Combined Financial Statements - Regulatory Basis	18-33
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Equity – All Special Revenue Funds – Regulatory Basis	34

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
JUNE 30, 2014

	Page
Combining Financial Statements – Regulatory Basis – cont'd	
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	35
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	36
Combining Statement of Assets, Liabilities and Fund Equity – All Fiduciary Fund Types – Regulatory Basis	37
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	38-41
Schedule of Expenditures of Federal Awards – Regulatory Basis	42
Schedule of Statutory, Fidelity and Honesty Bonds	43
Schedule of Accountant's Professional Liability Insurance Affidavit	44

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

December 30, 2014

The Honorable Board of Education
McAlester School District Number I-80
McAlester, Pittsburg County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the McAlester School District Number I-80, McAlester, Pittsburg County, Oklahoma (the District), as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As discussed in Note 1, the financial statements are prepared by the District, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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

Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

December 30, 2014

The Honorable Board of Education
McAlester School District Number I-80
McAlester, Pittsburg 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 McAlester School District Number I-80, McAlester, Pittsburg County, Oklahoma (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 30, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sanders, Bledsoe & Hewett

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

December 30, 2014

The Honorable Board of Education
McAlester School District Number I-80
McAlester, Pittsburg County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited McAlester School District Number I-80, McAlester, Pittsburg County, Oklahoma (District)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2014

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section 1 – Summary of Auditor's Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.

2. The audit disclosed no 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 Child Nutrition Programs (10.553, 10.555, 10.559, 10.582) and the IDEA-B Special Education Programs (84.027, 84.173), which were clustered in determination.

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

9. The auditee was determined not to be a low-risk auditee.

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

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)
ASSETS						
Cash	$ 4,173,020	693,803	13,450	550,548		5,430,821
Investments	500,000					500,000
Amounts available in debt service					13,450	13,450
Amount to be provided for retirement of long-term debt					193,056	193,056
Total Assets	$ 4,673,020	693,803	13,450	550,548	206,506	6,137,327
LIABILITIES AND FUND EQUITY						
Liabilities:						
Warrants payable	$ 2,478,787	144,803		3,550		2,627,140
Encumbrances	383,498	142,911				526,409
Funds held for school organizations				489,439		489,439
Long-term debt:						
Capital leases					206,506	206,506
Total liabilities	2,862,285	287,714	0	492,989	206,506	3,849,494
Fund Equity:						
Cash fund balances	1,810,735	406,089	13,450	57,559	0	2,287,833
Total Liabilities and Fund Equity	$ 4,673,020	693,803	13,450	550,548	206,506	6,137,327

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	EXPENDABLE TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
Revenues Collected:					
Local sources	$ 3,459,303	928,766	31	16,010	4,404,110
Intermediate sources	645,074				645,074
State sources	13,749,351	123,526			13,872,877
Federal sources	1,875,573	1,299,922			3,175,495
Interest earnings	1,970	21,079			23,049
Non-revenue receipts	85,753	28,711			114,464
Total revenues collected	19,817,024	2,402,004	31	16,010	22,235,069
Expenditures:					
Instruction	12,252,289	99,931			12,352,220
Support services	8,162,101	505,963		2,367	8,670,431
Operation of non-instructional services	2,516	1,871,720			1,874,236
Facilities acquisition and construction services	10,870	482,642			493,512
Other outlays:					
Reimbursement	200	742			942
Correcting entry	3,562	20,000			23,562
Other uses				8,850	8,850
Total expenditures	20,431,538	2,980,998	0	11,217	23,423,753
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(614,514)	(578,994)	31	4,793	(1,188,684)
Other financing sources (uses):					
Adjustments to prior year encumbrances	128,089	90,472	0	350	218,911
Excess of revenues collected over (under) expenditures and other financing sources (uses)	(486,425)	(488,522)	31	5,143	(969,773)
Cash fund balances, beginning of year	2,297,160	894,611	13,419	52,416	3,257,606
Cash fund balances, end of year	$ 1,810,735	406,089	13,450	57,559	2,287,833

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	Original/Final Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	$ 2,744,802	2,744,802	3,459,303	714,501
Intermediate sources	581,395	581,395	645,074	63,679
State sources	13,268,930	13,268,930	13,749,351	480,421
Federal sources	1,787,504	1,787,504	1,875,573	88,069
Interest earnings			1,970	1,970
Non-revenue receipts			85,753	85,753
Total revenues collected	18,382,631	18,382,631	19,817,024	1,434,393
Expenditures:				
Instruction			12,252,289	(12,252,289)
Support services			8,162,101	(8,162,101)
Operation of non-instructional services			2,516	(2,516)
Facilities acquisition & construction srvcs			10,870	(10,870)
Other outlays:				
Reimbursement			200	(200)
Correcting entry			3,562	(3,562)
Other uses	20,679,791	20,679,791		20,679,791
Total expenditures	20,679,791	20,679,791	20,431,538	248,253
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(2,297,160)	(2,297,160)	(614,514)	1,682,646
Adjustments to prior year encumbrances	0	0	128,089	128,089
Excess of revenue collected over (under) expenditures	(2,297,160)	(2,297,160)	(486,425)	1,810,735
Cash fund balance, beginning of year	2,297,160	2,297,160	2,297,160	0
Cash fund balance, end of year	$ 0	0	1,810,735	1,810,735

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	$ 626,282	851,282	928,766	77,484
State sources	264,462	264,462	123,526	(140,936)
Federal sources	1,248,400	1,248,400	1,299,922	51,522
Interest earnings			21,079	21,079
Non-revenue receipts			28,711	28,711
Total revenues collected	2,139,144	2,364,144	2,402,004	37,860
Expenditures:				
Instruction			99,931	(99,931)
Support services			505,963	(505,963)
Operation of non-instructional services			1,871,720	(1,871,720)
Facilities acquisition and construction services			482,642	(482,642)
Other outlays:				
Reimbursement			742	(742)
Correcting entry			20,000	(20,000)
Other uses	3,033,755	3,258,755		3,258,755
Total expenditures	3,033,755	3,258,755	2,980,998	277,757
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(894,611)	(894,611)	(578,994)	315,617
Adjustments to prior year encumbrances	0	0	90,472	90,472
Excess of revenue collected over (under) expenditures	(894,611)	(894,611)	(488,522)	406,089
Cash fund balances, beginning of year	894,611	894,611	894,611	0
Cash fund balances, end of year	$ 0	0	406,089	406,089

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	$ 0	31	31
Requirements	0	0	0
Excess of revenue collected over (under) expenditures	0	31	31
Cash fund balance, beginning of year	13,419	13,419	0
Cash fund balance, end of year	$ 13,419	13,450	31

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the McAlester Public Schools Independent District No. I-80 (the "District") has 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 is 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.

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, coop, child nutrition and Municipal Tax Levy funds.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting - cont'd

Municipal Tax Levy Fund – In 2003, the City of McAlester passed sales tax measures. A portion of the tax was earmarked for the McAlester School District. The monies received by the District are designated for construction, capital expenditures and general facilities repair and maintenance.

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.

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.

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. The District did not maintain the capital projects fund during the 2013-14 fiscal year.

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 maintained only the gifts and endowments fund during the 2013-14 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting – cont'd

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.

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 property, plant and equipment. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting – cont'd

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting – cont'd

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.

D. Budgets and Budgetary Accounting

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

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

The 2013-14 Estimate of Needs was amended by supplemental appropriations as follows:

Fund	Total
Building	$ 225,000

These amendments were approved by the county excise board.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 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, 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, 2014, is not material to the combined financial statements and therefore not included in them.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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

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.

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

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 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 were collected within such systems.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

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 – Consist 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

2. CASH AND INVESTMENTS

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

Cash – The District's bank balance of deposits and cash pools at June 30, 2014, was $5,461,909. 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, 2014, the District's investments consisted certificates of deposits and of investment pools (sweep accounts) invested in money market funds with an approximate fair market value of $500,000.

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 form increasing interest rates.

2. CASH AND INVESTMENTS – cont'd

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to and 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. These investments are held with The Bank NA and First National Bank, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

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

4. GENERAL LONG-TERM DEBT

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

General long-term debt of the District consists of capital leases. Debt service requirements for bonds and judgments 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:

	Capital Leases
Balance, July 1, 2013	$ 371,451
Retirements	(164,945)
Balance, June 30, 2014	$ 206,506

4. GENERAL LONG-TERM DEBT – cont'd

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

	Amount Outstanding
Capital Leases:	
Lease purchase with Honeywell For Energy Management Equipment totaling $800,000 @ 4.21% due in monthly principal and interest payments of $8,324.19, final payment due 8-31-16.	$ 206,506

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

Year Ending June 30	Principal	Interest	Total
2015	$ 92,977	6,913	99,890
2016	96,968	2,923	99,891
2017	16,561	87	16,648
Total	$ 206,506	9,923	216,429

Interest paid on general long-term debt during the 2013-14 fiscal year totaled $27,910.

5. EMPLOYEE RETIREMENT SYSTEM

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

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

Description of Plan – cont'd

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 2013-14 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's total contributions for 2014, 2013 and 2012 were $2,215,292, $2,215,846 and $1,453,981, respectively.

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

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

6. RISK MANAGEMENT

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

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the 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.

7. CONTINGENCIES

Federal Grants

This schedule shows the federal awards received and expended by the District during the 2013-14 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for non-federal entities which expend more than $500,000 in federal awards.

Litigation

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

Subsequent Events

Management has evaluated subsequent events through December 30, 2014, which is the date the financial statements were available to be issued, and have determined that no additional information needs to be added to the financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2014

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	MUNICIPAL TAX LEVY FUND	TOTAL
ASSETS					
Cash	$ 308,671	3	384,133	996	693,803
LIABILITIES AND FUND EQUITY					
Liabilities:					
Warrants payable	$ 6,107	3	138,693		144,803
Encumbrances	56,787		86,124		142,911
Total liabilities	62,894	3	224,817	0	287,714
Fund Equity:					
Cash fund balances	245,777	0	159,316	996	406,089
Total Liabilities and Fund Equity	$ 308,671	3	384,133	996	693,803

INDEPENDENT SCHOOL DISTRICT NO. I-80 PITTSBURG COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	MUNICIPAL TAX LEVY FUND	TOTAL
Revenues Collected:					
Local sources	$ 717,281	4,246	207,239		928,766
State sources		99,931	23,595		123,526
Federal sources	11,504		1,288,418		1,299,922
Interest earnings	19,662		1,417		21,079
Non revenue receipts	27,969		742		28,711
Total revenues collected	776,416	104,177	1,521,411	0	2,402,004
Expenditures:					
Instruction		99,931			99,931
Support services	505,785		178		505,963
Operation of non-instructional services			1,871,720		1,871,720
Facilities acquisition and construction services	482,642				482,642
Other outlays:					
Reimbursement			742		742
Correcting entry	20,000				20,000
Total expenditures	1,008,427	99,931	1,872,640	0	2,980,998
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(232,011)	4,246	(351,229)	0	(578,994)
Adjustments to prior year encumbrances	85,968	0	4,504	0	90,472
Excess of revenue collected over (under) expenditures	(146,043)	4,246	(346,725)	0	(488,522)
Cash fund balances, beginning of year	391,820	(4,246)	506,041	996	894,611
Cash fund balances, end of year	$ 245,777	0	159,316	996	406,089

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND			MUNICIPAL TAX LEVY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:												
Local sources	$ 392,224	617,224	717,281	$ 12,000	12,000	4,246	$ 222,058	222,058	207,239	$		
State sources				102,500	102,500	99,931	161,962	161,962	23,595			
Federal sources			11,504				1,248,400	1,248,400	1,288,418			
Interest earnings			19,662						1,417			
Non revenue sources			27,969						742			
Total revenues collected	392,224	617,224	776,416	114,500	114,500	104,177	1,632,420	1,632,420	1,521,411	0	0	0
Expenditures:												
Instruction						99,931						
Support services			505,785						178			
Operation of non-instructional services									1,871,720			
Facilities acquisition & construction services			482,642									
Other outlays:												
Reimbursement									742			
Correcting entry			20,000									
Other uses	784,044	1,009,044		110,254	110,254		2,138,461	2,138,461		996	996	
Total expenditures	784,044	1,009,044	1,008,427	110,254	110,254	99,931	2,138,461	2,138,461	1,872,640	996	996	0
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(391,820)	(391,820)	(232,011)	4,246	4,246	4,246	(506,041)	(506,041)	(351,229)	(996)	(996)	0
Adjustment to prior year encumbrances	0	0	85,968	0	0	0	0	0	4,504	0	0	0
Excess of revenues collected over (under) expenditures	(391,820)	(391,820)	(146,043)	4,246	4,246	4,246	(506,041)	(506,041)	(346,725)	(996)	(996)	0
Cash fund balances, beginning of year	391,820	391,820	391,820	(4,246)	(4,246)	(4,246)	506,041	506,041	506,041	996	996	996
Cash fund balances, end of year	$ 0	0	245,777	$ 0	0	0	$ 0	0	159,316	$ 0	0	996

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL FIDUCIARY FUND TYPES - REGULATORY BASIS
JUNE 30, 2014

	EXPENDABLE TRUST FUND	AGENCY FUNDS	
	GIFTS AND ENDOWMENTS FUND	SCHOOL ACTIVITY FUNDS	TOTAL
ASSETS			
Cash and Investments	$ 61,109	489,439	550,548
LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants payable	$ 3,550		3,550
Funds held for school organizations		489,439	489,439
Total liabilities	3,550	489,439	492,989
Fund Equity:			
Cash fund balances	57,559	0	57,559
Total Liabilities and Fund Equity	$ 61,109	489,439	550,548

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
ASSETS					
Cash and Investments	$ 481,090	1,020,030	0	1,011,681	489,439
LIABILITIES					
Funds held for school organizations:					
Edmond Doyle	$ 11,247	20,771		17,988	14,030
Edmond Doyle student	28	0		0	28
Edmond Doyle Library	1,801	1,828		1,639	1,990
Edmond Doyle faculty	4	166		83	87
Emerson	11,302	12,672		15,106	8,868
Emerson faculty	203	311		374	140
William Gay ECC	10,394	9,840		11,216	9,018
William Gay ECC faculty	750	1,263		1,131	882
Beyond the bell	836	31,398		32,040	194
Jefferson student	4,323	6,353		9,122	1,554
Jefferson faculty	270	873		855	288
Will Rogers	12,927	47,284		43,798	16,413
Will Rogers - library	2,046	6,780		3,460	5,366
Will Rogers student	1,652	0		844	808
Will Rogers faculty	248	365		480	133
Washington ECC	849	7,212		4,758	3,303
Washington ECC faculty	306	284		431	159
Athletic restitution	2,745	0		0	2,745
Elementary athletics	3,279	1,181		1,934	2,526
Athletics - high school	72,998	198,078		213,714	57,362
Athletics - Puterbaugh	3,344	18,634		16,685	5,293
Puterbaugh general	4,653	7,203		2,829	9,027
8th Girls BB special	872	4,772		3,716	1,928
8th grade cheerleaders	0	7,020		6,381	639
8th grade band	1,675	25,528		20,667	6,536
Drug ed alliance (IDFY)	260	0		126	134
Choir	1,340	445		627	1,158
7th grade band	3,057	14,903		12,663	5,297
Library - Puterbaugh	343	109		49	403
Yearbook	747	4,486		100	5,133
Quiz bowl	73	0		0	73
Science fair	585	633		582	636
Spanish club	215	0		0	215
Special student fund	889	710		35	1,564
Student council	8,747	11,690		14,101	6,336
TSA - Tech ed	1,961	7,232		5,936	3,257
7th & 8th football spec	4,641	10,500		11,054	4,087
7th & 8th boys basketball	2,033	1,440		1,465	2,008

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
7th grade cheerleader	$ 3,030	16,723		14,644	5,109
7th & 8th girls track	5,193	3,540		5,920	2,813
7th & 8th volleyball	463	0		0	463
Parker intermediate	27,792	31,000		44,111	14,681
Parker I.C. library	1,751	3,649		2,665	2,735
Parker I.C. student council	9,918	4,391		10,484	3,825
Parker I.C. faculty	235	422		363	294
6th grade band	5,558	16,279		16,261	5,576
Academic team	4	800		0	804
Afro student union	516	800		110	1,206
Annual - High school	52,894	38,304		34,900	56,298
Art	1,045	200		0	1,245
Art	411	1,565		1,232	744
Astronomy club	588	963		0	1,551
Band booster concession	3,290	32,320		31,293	4,317
Band - high school	13,024	57,937		34,600	36,361
Band - jazz	1,064	12,515		12,816	763
Band - percussion	1,032	5,415		5,301	1,146
Cheerleaders - varsity	6,512	26,154		25,505	7,161
Chemistry/physics club	117	0		111	6
Choir - Puterbaugh	4,256	6,752		3,055	7,953
Color guard	8,099	7,045		9,215	5,929
4-H club	27	25		38	14
FCA	347	0		0	347
FFA	9,119	18,326		19,935	7,510
FCCLA	496	12,420		10,437	2,479
Indian heritage	983	11,078		10,849	1,212
Cheerleaders - 9th bisc	1,561	0		987	574
Library - high school	303	154		206	251
Montage/musical	7,359	0		0	7,359
MSH buffalo pep-ers	190	1,863		2,051	2
POM - varsity	2,010	3,456		2,965	2,501
PSAT/AP testing	2,109	4,252		3,877	2,484
MHS math club	0	165		0	165
Science fair/club - HS	6	0		0	6
Service learning	983	1,845		1,740	1,088
Spanish club	120	0		0	120
Student council	17,849	30,479		31,525	16,803
Thespian club	2,951	2,300		1,179	4,072
TMH	6	0		0	6
TSA - tech ed	2,314	2,658		2,947	2,025

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
MHS general account	$ 7,837	7,831		10,299	5,369
MHS faculty	3,519	3,356		5,569	1,306
FG Edwards memorial fund	2,439	0		500	1,939
MHS mock trial team	194	800		120	874
Key student	2,628	0		378	2,250
Key faculty	588	0		250	338
Special Olympics	3,354	545		603	3,296
Baseball special	667	2,835		2,835	667
Diamond Dolls (baseball)	2,133	400		904	1,629
Dugout club concessions	14,743	55,864		50,607	20,000
Softball booster	1,792	3,321		3,929	1,184
Stadium vendor	16,408	34,558		40,930	10,036
Boys track special	330	385		560	155
Soccer	303	646		300	649
Girls track special	433	385		629	189
Cross country special	91	0		0	91
Basketball booster	24	0		0	24
Boys basketball pop fund	941	8,832		6,726	3,047
Girls basketball pop fund	1,291	7,857		7,317	1,831
Mat maids (wrestling)	233	0		0	233
Wrestling booster club	713	1,378		1,565	526
Tennis pseical	972	280		121	1,131
Varsity golf	0	1,291		1,291	0
Volleyball special	998	3,450		2,384	2,064
Centennial Garden	831	0		522	309
Central office adm. Cal	11,048	20,233		23,749	7,532
Lost / damaged textbooks	0	820		820	0
General hospitality	1,181	1,464		1,883	762
Central office activity	94	115		0	209
PDC	3,223	539		1,714	2,048
Maintenance	512	1,798		1,175	1,135
Special services sunshine	83	0		0	83
Ace advisory council	1,522	278		211	1,589
SNA McAlester chapter	747	0		542	205
Special events	14,885	7,784		9,879	12,790
Site Activity Funds Total	$ 471,144	998,013	0	989,306	479,851

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	BALANCE 7-01-13	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
Central Activity Fund:					
Cultural enrich CD	$ 4,500	0		0	4,500
Extended day	0	5,975		5,975	0
Adult education	0	6,964		6,964	0
Auction sales	0	156		156	0
Copier money	0	22		22	0
Cultural enrichment	5,035	45		0	5,080
Interest	0	13		13	0
MHS summer school	0	600		600	0
Miscellaneous	0	86		86	0
Petty Cash	0	200		200	0
Property rental	0	7,833		7,833	0
Scrap iron	0	123		123	0
Puteraugh Landscaping	275	0		275	0
Arts in education	136	0		128	8
Central Activity Fund Total	$ 9,946	22,017	0	22,375	9,588
Total Liabilities	$ 481,090	1,020,030	0	1,011,681	489,439

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's No.	Program or Award Amount	Balance at 7/1/13	Revenue Collected	Total Expenditures	Balance at 6/30/14
U.S. Department of Education							
Direct Programs:							
Indian Education	84.060	S060A130902	$ 258,817		186,176	258,817	79,858
Indian Education 2012-13 - Note	84.060	S060A120902		25,139	25,139		
P.L. 874 Impact Aid	84.041	S041B-2014-4080	11,504		11,504	11,504	
Gear Up	84.334		4,950		4,950	4,950	
Sub-Total			275,271	25,139	227,769	275,271	79,858
Passed Through State Department of Education:							
Title I, Basic	84.010		772,113		439,931	673,816	233,885
Title I, Basic 2012-13 - Note	84.010			168,637	168,637		
Title I, Neglected & Delinquent	84.010		7,474		5,571	7,429	1,858
Title I, Neglected & Delinquent 2012-13 - Note	84.010			2,369	2,369		
*Special Education Programs:							
IDEA-B Flowthrough	84.027		627,299		501,028	605,734	104,706
IDEA-B Flowthrough 2012-13 - Note	84.027			173,479	173,479		
IDEA-B Discretionary 2012-13 - Note	84.027			660	660		
IDEA-B preschool	84.173		27,971		4,049	9,507	5,458
IDEA-B preschool 2012-13 - Note	84.173			6,116	6,116		
Title II Part A	84.367		161,679		116,528	127,776	11,248
Title II Part A 2012-13 - Note	84.367			12,626	12,626		
Title VI Part B	84.358		56,872		43,558	56,872	13,314
Title VI Part B 2012-13 - Note	84.358			19,716	19,716		
Title II, Part A Video	84.367		29,500		24,503	26,947	2,444
Title II, Part A Video 2012-13 - Note	84.367			7,400	7,400		
Adult basic education	84.002		68,773		40,205	65,970	25,765
Adult basic education 2012-13 - Note	84.002			34,522	34,522		
Sub-Total			1,751,681	425,525	1,600,898	1,574,051	398,678
Passed Through State Department of Career and Technology Education:							
Carl Perkins	84.048		16,895		4,214	16,895	12,681
Carl Perkins 2012-13 - Note	84.048			5,863	5,863		
Sub-Total			16,895	5,863	10,077	16,895	12,681
U.S. Department of Agriculture:							
Passed Through State Department of Education							
* Child Nutrition Programs:							
School breakfast program	10.553				381,262	262,111	
National school lunch program	10.555				851,026	610,355	
Fresh fruit and vegetable program	10.582				24,485	24,485	
Summer food service program	10.559				22,083	31,107	9,024
Summer food service program 2012-13 - Note	10.559			9,564	9,564		
Sub-Total				9,564	1,288,420	928,058	9,024
Passed Through Department of Human Services:							
* Non-cash assistance - commodities - Note 1							
National school lunch program	10.555				99,060	99,060	
Other Federal Assistance:							
Johnson O'Malley	15.130		45,695		13,611	45,074	31,463
Johnson O'Malley 2012-13 - Note	15.130			23,775	23,775		
Medicaid	93.778		5,976		5,976	5,976	
OJT Rehab	84.126		4,970		4,970	4,970	
Sub-Total			56,641	23,775	48,332	56,020	31,463
Total Federal Assistance			$ 2,100,488	489,866	3,274,556	2,949,355	531,704

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 $99,060 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.
* Major programs

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2014

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety -				
Westen Surety Company	Treasurer	71296032	$ 100,000	07/01/13 - 07/01/14
	Superintendent	71296003	100,000	07/01/13 - 07/01/14
	Administrative Assistant	70749095	100,000	07/01/13 - 07/01/14
	Activity Fund	71296028	100,000	07/01/13 - 07/01/14
	Activity Fund	62054741	100,000	05/05/14 - 05/05/15
	Activity Fund	70749090	100,000	07/01/13 - 07/01/14
	Payroll Clerk	71511345	100,000	01/01/14 - 01/01/15
	Payroll Clerk	62054772	100,000	05/05/14 - 05/05/15
	Administrative	71511342	100,000	01/01/14 - 01/01/15
	Minutes Clerk	71337503	1,000	10/17/13 - 10/17/14
	Deputy Minutes Clerk	71511343	1,000	07/09/13 - 07/09/14
	Honesty Blanket Bond	70744628		
	Encumbrance Clerk		2,000	07/01/13 - 07/01/14
	Child Nutrition Custodians		2,000	07/01/13 - 07/01/14
	Custodians		2,000	07/01/13 - 07/01/14
	All Employees		2,000	07/01/13 - 07/01/14

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

State of Oklahoma)
) ss
County of Tulsa)

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

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

By _____
Authorized Agent

Subscribed and sworn to before me
This 30th day of December, 2014

EARLENE HART
NOTARY PUBLIC
IN AND FOR
STATE OF OKLAHOMA
TULSA COUNTY

_____
Notary Public (or Clerk or Judge)

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