

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

**McALESTER INDEPENDENT SCHOOL DISTRICT NO. 1-80,
PITTSBURG COUNTY, OKLAHOMA**

JUNE 30, 2015

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, 2015

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
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	9-11
Disposition of Prior Year’s Reportable Conditions and Material Instances of Non-Compliance	12
Schedule of Audit Results, Findings and Questioned Costs	13
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Balance All Fund Types and Account Groups – Regulatory Basis	21
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	22
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	23-25
Notes to Combined Financial Statements - Regulatory Basis	26-42
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Balance – All Special Revenue Funds – Regulatory Basis	43

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
JUNE 30, 2015

	<u>Page</u>
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	44
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	45
Combining Statement of Assets, Liabilities and Fund Equity – All Fiduciary Fund Types – Regulatory Basis	46
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	47-50
Schedule of Expenditures of Federal Awards – Regulatory Basis	51
Schedule of Statutory, Fidelity and Honesty Bonds	52
Schedule of Accountant’s Professional Liability Insurance Affidavit	53



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

December 17, 2015

The Honorable Board of Education
McAlester School District Number I-80
McAlester, Pittsburgh 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, Pittsburgh County, Oklahoma (the District), as of and for the year ended June 30, 2015, 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, as described in Note 1, to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015, 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, 2015, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

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

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

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and to other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

December 17, 2015

The Honorable Board of Education
McAlester School District Number I-80
McAlester, Pittsburgh 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, Pittsburgh County, Oklahoma (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 17, 2015, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2015-1, 2015-2, 2015-3, 2015-4, 2015-5, 2015-6, 2015-7, 2015-8, 2015-9, 2015-10, 2015-11, 2015-12, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items, 2015-1, 2015-2, 2015-3, 2015-4, 2015-5, 2015-6, 2015-7, 2015-8, 2015-9, 2015-10, 2015-11, 2015-12.

District's Response to Findings

The District's response to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit on the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, 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 17, 2015

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

Report on Compliance for Each Major Federal Program

We have audited McAlester School District Number I-80, McAlester, Pittsburgh 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, 2015. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Basis for Qualified Opinion on the Rural Utilities Service – Distance Learning and Telemedicine Grant

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirement regarding CFDA #10.855 Distance Learning and Telemedicine Grant, as described in finding number 2015-14, for Cash Management, and 2015-15 for Matching. Compliance with such requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Rural Utilities Service – Distance Learning and Telemedicine Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred above that could have a direct and material effect on the Distance Learning and Telemedicine Grant for the year ended June 30, 2015.

Opinion on Each of the Other Major Federal Programs

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, identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-13 and 2015-16. Our opinion on each major program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the attached corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist but were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 2015-14 and 2015-15, to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 2015-13 and 2015-16, to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the attached corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Sanders, Bledsoe & Hewett".

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2015

There were no prior year significant deficiencies

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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 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 significant deficiencies in the internal controls over major programs.
5. A qualified opinion report was issued on the compliance of the Distance Learning and Telemedicine major program, and an unqualified opinion on each of the other major programs.
6. The audit disclosed 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) which were clustered in determination, Title I (84.010), Title VII Indian Education (84.060), and Distance Learning and Telemedicine (10.855).
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:

2015-1 Finding

Condition: We observed that the District did not comply with District policy nor the *Public Competitive Bidding Act of 1974* in regards to three (3) public improvement projects in the building fund costing between \$25,000 and \$50,000 each.

Criteria: Schools are required to follow the Public Competitive Bidding Act of 1974 for public construction contracts between \$25,000 and \$50,000 (O.S. Title 61 § 103 D)

Cause/Effect: District policy was not followed therefore the District was not in compliance with the *Public Competitive Bidding Act of 1974*.

Recommendation: We recommend that the District implement procedures to ensure that District policy concerning competitive bids of public construction contracts is followed and that the requirements of the Public Competitive Bidding Act of 1974 are also complied with. We also recommend that the District contact the local authorities regarding this issue.

2015-2 Finding

Condition: We observed during the audit of payroll that one extra duty contract was not signed nor approved by the board and two extra duty contracts could not be located for review.

Criteria: All payments for services in excess of \$500 should be executed on a contract that is approved and signed by the Board

Cause/Effect: The District was not following procedures concerning extra duty contracts, therefore possible overpayments could occur.

Recommendation: We recommend that any payments processed through payroll have an approved and signed contract by the board before any payments are made.

2015-3 Finding

Condition: We observed during the audit of payroll that one individual was paid twice for a travel allowance totaling \$2,750.

Criteria: Employees should not be paid more than what was agreed to on an extra duty contract.

Cause/Effect: Effective controls were not in place to detect duplicate payments, resulting in an overpayment.

Recommendation: We recommend procedures be put in place to ensure that extra duty contract amounts are approved and only paid once.

2015-4 Finding

Condition: We observed during the audit of payroll that several extra duty payments were made on the authority of an email and not approved by the board.

Criteria: Employees should only be paid for extra duty payments after approval by the Board

Cause/Effect: The payroll clerk was paying off of an email instead of from approved documents from the board, therefore overpayments could occur.

Recommendation: We recommend that the payroll clerk not make any payments that are not supported by proper documentation and that have not been approved by the Board.

2015-5 Finding

Condition: The District has a lack of segregation of duties in the payroll function. The payroll clerk enters the payroll information, makes any changes to it, and process the payroll.

Criteria: A good system of internal control provides for the proper segregation of the input of information, the access to change it, and the processing of the payroll.

Cause/Effect: Due to a limited number of available personnel in the payroll area, there is a possibility that errors or irregularities may occur and not be detected within a timely period.

Recommendation: We recommend that the District review its procedures over payroll, and that another individual, such as the human resources director, be responsible for entering the payroll information, and any changes that are approved by the board. Also, an individual separate from the payroll area could perform periodic checks of what is approved to be paid to what is actually being paid.

2015-6 Finding

Condition: During our testing of the credit cards we noted several instances each month where meals were purchased that did not include an overnight stay, and some which were at in town restaurants. Most of these charges were for more than one individual, however, it was not always stated who else was present and what was the purpose of the expenditure. We observed purchases made by the superintendent which were of a personal nature and evidenced by checks written by the superintendent to reimburse the District in the amount of \$1,039.91. There was also a lot of support for the credit card statements that could not be located. We were told that the support was prepared for review and placed in the board conference room. Subsequently, someone went through the prepared documentation and did not return it in the original manner, also, some documentation may have been removed from the room.

Criteria: District policies and Oklahoma Statutes require that proper documentation be obtained before any payment is made, reimbursement or charges for meals will only be approved for overnight stays, and personal usage of the credit card is prohibited at all times. Also, the IRS deems any reimbursement, or purchase, of meals which do not include an overnight stay should be included in compensation.

Cause/Effect: Internal control procedures over the credit cards were not being strictly enforced, therefore allowing unallowable charges to be made, and compensation for non-overnight meal reimbursements not being reported.

Recommendation: We recommend that the District review and revise the credit card policy and procedures, to include stricter language on the approved uses of the credit card, limiting the number of cards used by the District, and where and how the credit cards will be maintained. We also recommend that the District contact the local authorities regarding this issue.

2015-7 Finding

Condition: During our testing of the credit cards we observed PO# 645 to Prosperity Bank, totaling \$1,053.60 for a 3 night hotel stay in Washington D.C.. The individual named on the invoice is not an employee of the District. We were informed that the individual did not attend the event, but the Superintendent did attend. The individuals' rewards card was used to obtain a better rate when booking a room, therefore this individual received a benefit. A dollar amount of the benefit could not be determined.

Criteria: We find no statutory authority for this type transaction.

Cause/Effect: Procedures concerning the review/approval of credit card expenditures were not properly functioning, therefore allowing this type of transaction to occur.

Recommendation: We recommend that procedures be implemented concerning the approval of credit card purchases to ensure that all credit card purchases are allowable. Also, procedures should be implemented to ensure that an individuals' rewards account, never be used to book any type of expenditure. We also recommend that the District contact the local authorities regarding this issue.

2015-8 Finding

Condition: There was approximately \$13,679 from the sale of surplus items, scrap, and other miscellaneous items that were deposited into the activity fund Calendar account. These types of revenue were not on the approved 'School Activity Fund Fund Raisers Requests' document that was approved by the Board.

Criteria: Each year the Board approves a 'School Activity Fund Fund Raisers Requests' document that outlines the various types of revenue which may be deposited into each activity fund sub-account.

Cause/Effect: Procedures were not followed in determining what types of revenue should be deposited into the activity accounts, therefore unapproved revenues types were deposited into activity fund sub accounts.

Recommendation: We recommend the District follow its procedures in determining what revenue types are to be deposited into the individual activity fund sub accounts. We also recommend that the District contact the local authorities regarding this issue.

2015-9 Finding

Condition: There was approximately \$14,546, of expenditures made out of the activity fund Calendar account that were not on the approved purposes document. The majority of expenditures from this account were considered to be questionable due to there not being a specific purpose and/or disposition of items purchased, specifically with gift type purchases and meal purchases.

Criteria: Each year the Board approves a ‘School Activity Fund Fund Raisers Requests’ document that outlines the various types of expenditures (purposes) which may be expended out of each activity fund sub-account.

Cause/Effect: Procedures were not followed in determining what types of expenditures are allowed to be made from the activity accounts, therefore unapproved expenditure types were made from the activity fund Calendar account.

Recommendation: We recommend that procedures be followed to make sure that expenditures in the activity fund sub accounts are within the Board approved expenditure types, and that a purpose and disposition be included for all meal and gift type purchases.

2015-10 Finding

Condition: We observed during our review of the activity fund that the donation made to the school in the amount of \$7,873, which was deposited into the activity fund Calendar account, was not expended in the manner that was stipulated in the agreement.

Criteria: The agreement with the Choctaw Nation of Oklahoma states the only stipulation is that the District equally divide the funds amongst all student extracurricular activities.

Cause/Effect: Procedures were not in place to ensure that this donation was expended for its intended purposes, therefore we did not observe any expenditures that were considered to be allowable that were made from the Calendar account.

Recommendation: We recommend that when a donation is received by the District that can only be used for specific purposes, that procedures be implemented to ensure that the expenditures will be made in accordance with the required stipulations of the agreement.

2015-11 Finding

Condition: We observed during the audit of the fuel cards that there were instances where the odometer readings were not entered when gas was obtained, and instances where a significant amount of miles were driven with no support as to the purpose. Also, the maintenance director, who had a fuel and travel allowance was issued a fuel card, it was used approximately 4 times totaling \$122.51.

Criteria: Every time a school vehicle obtains fuel, the odometer reading should be input into the system as well as the purpose for getting the fuel. Also, we can find no statutory authority that would allow an individual that has a fuel and travel allowance to also have a fuel card.

Cause/Effect: Adequate procedures were not in place to review the monthly fuel statements for proper odometer readings and purpose of trip, nor were procedures in place that would not allow an individual to have both a fuel and travel allowance and a fuel card. Not having the proper procedures allows for the possible misuse of the fuel cards.

Recommendation: We recommend procedures be implemented to ensure that odometer readings are input each time a school vehicle obtains fuel and that the purpose of the trip is also included. We also recommend that employees have either a fuel and travel allowance included in their compensation or have a fuel card issued, but not both. We also recommend that the District contact the local authorities regarding this issue.

2015-12 Finding

Condition: The District did not code adequate expenditures to account for specific revenues received for the school breakfast program (project 764). The District received \$482,430.98, but only coded \$59,295.44. The District also coded more expenditures than what was claimed and received for seven programs.

Criteria: The District should code an adequate amount of expenditures to account for specific revenues received, and code no more than what is claimed for reimbursement.

Cause/Effect: The District is not properly monitoring expenditures that are coded to specific federal project codes, which will skew the numbers that are submitted to the Oklahoma Cost Accounting System.

Recommendation: We recommend that the District monitor expenditures each month for each federal project code to ensure that the amount that has been received, or claimed, will have the corresponding expenditures properly coded to the project code.

Section 3 – Findings and questioned costs for federal awards:

2015-13 Finding

Condition: During our audit of the Title VII Indian Education program we observed that the student count on the application showed a student count of 1,297, however the student count list that was provided for audit totaled 1,291. Also, of the 87 student files reviewed, we observed 1 student which did not have a 506 form on file.

Criteria: The District conducts a student count of Indian education students to determine if they have a 506 form on file and are enrolled during the period of the count.

Cause/Effect: Adequate procedures were not in place to review the student count information and compare the count to the application prior to submission, as well as making sure each student has a 506 form on file. This results in the student count not being properly reported and the possibility of an over award being made to the District.

Recommendation: We recommend that the District implement procedures to reconcile the number of students reported on the application to the number of students on the student count listing, and to ensure that each student has a 506 form on file.

2015-14 Finding

Condition: During our audit of the Distance Learning and Telemedicine grant we observed that the District drew down the entire grant amount of \$336,543, in December 2014, but only had expenditures coded of \$283,601, which were made in February, April and May 2015

Criteria: Federal grant revenues that are drawn down in advance, should only be drawn approximately 3 days prior to the related expenditures, or after the expenditures have been made.

Cause/Effect: Adequate procedures were not in place to ensure that expenditures were ready to be paid, or had been made prior to the drawdown of funds. This results in federal revenues being drawn down in advance that are not expended in a timely manner, of which \$52,942, had not been expended as of June 30,2015.

Recommendation: We recommend that the District implement procedures over direct funded federal programs to ensure that expenditures have been paid prior to any draw down of funds, and that a year end reconciliation of coded expenditures to revenues received be performed. We also recommend that the District contact the grant administrator for guidance on how to resolve this issue.

2015-15 Finding

Condition: During our audit of the Distance Learning and Telemedicine grant we observed that not all of the expenditure documentation for the matching expenditure requirement was presented for audit. Of the 8 schools that participated, complete and/or adequate support for the matching expenditures was not presented for 6 schools.

Criteria: Per the grant application, each participating school district had a matching expenditure requirement.

Cause/Effect: Adequate controls were not in place to ensure that the matching expenditure requirement was met and the corresponding documentation was kept for review. This results in possible noncompliance with grant requirements.

Recommendation: We recommend that the District implement procedures for every grant in which matching expenditures are required to ensure that the matching expenditures are made in accordance with the grant and that the corresponding support be maintained for review. We also recommend that the District contact the grant administrator for guidance on how to resolve this issue. As of final audit work this grant had not been completed.

2015-16 Finding

Condition: We observed during the audit of the Title I program that there were some questionable costs. The Oklahoma State Department of Education was contacted and upon their review, they determined that \$10,558.21, of Title I expenditures and \$2,799.00, of Title II expenditures were considered unallowable.

Criteria: Both the Title I and Title II programs have specific expenditure requirements of what can be considered an allowable expenditure.

Cause/Effect: Adequate procedures were not in place to review the expenditure claims to determine that all the expenditures were within budget and allowable, prior to the claim being submitted for reimbursement. This results in possible noncompliance with grant requirements which could result in overpayment of funds.

Recommendation: We recommend that the District implement procedures for all federal programs that would require each claim for reimbursement be reconciled to the program budget, and that the expenditures be reviewed for allowability prior to the claim being submitted for reimbursement. We also recommend the district contact the Oklahoma State Department of Education to determine how to proceed with this matter.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2015

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash	\$ 3,458,398	589,683	500,000	23,541	562,135		5,133,757
Investments	500,000						500,000
Amounts available in debt service						23,541	23,541
Amount to be provided for retirement of long-term debt						775,127	775,127
Total Assets	\$ 3,958,398	589,683	500,000	23,541	562,135	798,668	6,432,425
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants payable	\$ 2,660,675	174,843			6,450		2,841,968
Encumbrances	141,117	99,201			520		240,838
Funds held for school organizations					500,339		500,339
Long-term debt:							
Capital leases						298,668	298,668
Bonds payable						500,000	500,000
Total liabilities	2,801,792	274,044	0	0	507,309	798,668	4,381,813
Fund Balance:							
Restricted		315,639	500,000	23,541	54,826		894,006
Unassigned	1,156,606						1,156,606
Fund balances	1,156,606	315,639	500,000	23,541	54,826	0	2,050,612
Total Liabilities and Fund Equity	\$ 3,958,398	589,683	500,000	23,541	562,135	798,668	6,432,425

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, 2015

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	DEBT SERVICE	EXPENDABLE TRUST FUNDS	
Revenues Collected:						
Local sources	\$ 3,468,095	919,127		5	6,000	4,393,227
Intermediate sources	635,093					635,093
State sources	13,912,264	313,240				14,225,504
Federal sources	2,281,097	1,490,087				3,771,184
Interest earnings		15,237		10,086		25,323
Non-revenue receipts	104,739	9,164				113,903
Total revenues collected	<u>20,401,288</u>	<u>2,746,855</u>	<u>0</u>	<u>10,091</u>	<u>6,000</u>	<u>23,164,234</u>
Expenditures:						
Instruction	12,625,061	132,537				12,757,598
Support services	8,472,538	764,767			8,883	9,246,188
Operation of non-instructional services	3,019	1,949,595				1,952,614
Facilities acquisition and construction services		11,087				11,087
Other uses	4,464	735				5,199
Total expenditures	<u>21,105,082</u>	<u>2,858,721</u>	<u>0</u>	<u>0</u>	<u>8,883</u>	<u>23,972,686</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(703,794)	(111,866)	0	10,091	(2,883)	(808,452)
Other financing sources (uses):						
Bond proceeds			500,000			500,000
Adjustments to prior year encumbrances	49,665	21,416		0	150	71,231
Total	<u>49,665</u>	<u>21,416</u>	<u>500,000</u>	<u>0</u>	<u>150</u>	<u>571,231</u>
Excess of revenues collected over (under) expenditures and other financing sources (uses)	(654,129)	(90,450)	500,000	10,091	(2,733)	(237,221)
Cash fund balances, beginning of year	<u>1,810,735</u>	<u>406,089</u>	<u>0</u>	<u>13,450</u>	<u>57,559</u>	<u>2,287,833</u>
Cash fund balances, end of year	<u>\$ 1,156,606</u>	<u>315,639</u>	<u>500,000</u>	<u>23,541</u>	<u>54,826</u>	<u>2,050,612</u>

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, 2015

GENERAL FUND				
	Original/Final Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 2,744,749	2,744,749	3,468,095	723,346
Intermediate sources	587,385	587,385	635,093	47,708
State sources	13,421,590	14,184,363	13,912,264	(272,099)
Federal sources	1,654,206	1,990,749	2,281,097	290,348
Non-revenue receipts			104,739	104,739
Total revenues collected	18,407,930	19,507,246	20,401,288	894,042
Expenditures:				
Instruction			12,625,061	(12,625,061)
Support services			8,472,538	(8,472,538)
Operation of non-instructional services			3,019	(3,019)
Other uses	20,218,665	21,317,981	4,464	21,313,517
Total expenditures	20,218,665	21,317,981	21,105,082	212,899
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,810,735)	(1,810,735)	(703,794)	1,106,941
Adjustments to prior year encumbrances	0	0	49,665	49,665
Excess of revenue collected over (under) expenditures	(1,810,735)	(1,810,735)	(654,129)	1,156,606
Cash fund balance, beginning of year	1,810,735	1,810,735	1,810,735	0
Cash fund balance, end of year	\$ 0	0	1,156,606	1,156,606

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, 2015

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 587,222	1,102,947	919,127	(183,820)
State sources	22,416	302,189	313,240	11,051
Federal sources	1,223,997	1,233,997	1,490,087	256,090
Interest earnings			15,237	15,237
Non-revenue receipts			9,164	9,164
Total revenues collected	1,833,635	2,639,133	2,746,855	107,722
Expenditures:				
Instruction			132,537	(132,537)
Support services			764,767	(764,767)
Operation of non-instructional services			1,949,595	(1,949,595)
Facilities acquisition and construction services			11,087	(11,087)
Other uses	2,239,724	3,045,222	735	3,044,487
Total expenditures	2,239,724	3,045,222	2,858,721	186,501
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(406,089)	(406,089)	(111,866)	294,223
Adjustments to prior year encumbrances	0	0	21,416	21,416
Excess of revenue collected over (under) expenditures	(406,089)	(406,089)	(90,450)	315,639
Cash fund balances, beginning of year	406,089	406,089	406,089	0
Cash fund balances, end of year	\$ 0	0	315,639	315,639

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, 2015

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 0	10,091	10,091
Requirements	0	0	0
Excess of revenue collected over (under) expenditures	0	10,091	10,091
Cash fund balance, beginning of year	13,450	13,450	0
Cash fund balance, end of year	\$ 13,450	23,541	10,091

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the McAlester Public Schools Independent District, No. I-80 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

A. Reporting Entity

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

The governing body of the District is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

A. Reporting Entity – cont'd

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.

B. Measurement Focus

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.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds include the building, co-op, child nutrition funds and municipal tax levy.

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.

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.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The District operates their child nutrition program within the general fund.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Measurement Focus – cont’d

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 typically include the gifts and endowments fund. The District maintained a gifts and endowment fund during the 2014-15 fiscal year.

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

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 (judgements and lease purchases) which are to be paid from funds provided in future years.

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Measurement Focus – cont’d

Memorandum Only - Total Column

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund 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* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require 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.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

C. Basis of Accounting and Presentation – cont’d

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

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 2014-15 Estimate of Needs was amended by supplemental appropriations as follows:

<u>Fund</u>	<u>Total</u>
General	\$1,099,316
Building	250,000
Co-op	145,498
Child Nutrition	410,000

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. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity

Cash and cash equivalents – The District considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2015, is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Compensated Absences – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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

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

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

Fund Balance – In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amount in the spendable fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

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 are collected within such systems.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

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 school districts based on information accumulated from the Districts.

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be 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.

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. 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-Monetary Transactions – The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

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. There were no interfund transfers made during the 2014-15 fiscal year.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash deposits and investments at June 30, 2015, were \$5,633,757, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name.

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

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument 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.
- 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 deposit or savings accounts in out-of-state financial institutions.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

2. CASH AND INVESTMENTS – cont’d

- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- 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.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2015.

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 a capital lease. Debt service requirements for bonds are paid solely from the fund balance and the future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	Capital Leases	Bonds	Total
Balance, July 1, 2014	\$ 206,506	0	\$ 206,506
Additions	276,472	500,000	776,472
Retirements	(184,310)	0	(184,310)
Balance, June 30, 2015	\$ 298,668	500,000	798,668

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

4. GENERAL LONG-TERM DEBT – cont'd

A brief description of the outstanding long-term debt at June 30, 2015, is set forth below:

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
Lease purchase with Honeywell for energy management equipment totaling \$800,000, @4.21%, due in monthly principal and interest installments of \$8,324.19, final payment due 8-31-16	\$ 113,529
Lease purchase with Apple Financial Services for computer equipment totaling \$370,293, @ 9.00%, due in annual principal and interest installments of \$93,821.02, final payment due 10-20-16	185,139
 <u>General Obligation Bonds</u>	
General Obligation Combined Purpose Bonds, Series 2015, original issue \$500,000, interest rate of 1.50% to 2.00%, due in an annual installments of \$125,000, final payment of \$125,000 due 5-01-20	<u>500,000</u>
 Total	 <u>\$ 798,668</u>

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

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2016	\$ 189,123	13,339	202,462
2017	234,545	9,674	244,219
2018	125,000	6,875	131,875
2019	125,000	5,000	130,000
2020	<u>125,000</u>	<u>2,500</u>	<u>127,500</u>
 Total	 <u>\$ 798,668</u>	 <u>37,388</u>	 <u>836,056</u>

Interest paid on general long-term debt during the 2014-15 fiscal year totaled \$6,913.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

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 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 2014-15 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, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

Annual Pension Cost

The District's total contributions for 2015, 2014 and 2013 were \$2,269,536, \$2,215,292, and \$2,215,846, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2015. 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.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements. The amount of calculated pension liability for the District at June 30, 2014 (the latest information available) was \$18,957,600.

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.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURGH COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

7. CONTINGENCIES – cont'd

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2014-15 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended 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 17, 2015, 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, 2015

	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>MUNICIPAL TAX LEVY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>					
Cash	\$ 279,366	36,256	273,065	996	589,683
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 6,449	24,548	143,846		174,843
Encumbrances	61,050		38,151		99,201
Total liabilities	<u>67,499</u>	<u>24,548</u>	<u>181,997</u>	<u>0</u>	<u>274,044</u>
Fund Equity:					
Cash fund balances	<u>211,867</u>	<u>11,708</u>	<u>91,068</u>	<u>996</u>	<u>315,639</u>
Total Liabilities and Fund Equity	<u>\$ 279,366</u>	<u>36,256</u>	<u>273,065</u>	<u>996</u>	<u>589,683</u>

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, 2015

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	MUNICIPAL TAX LEVY FUND	TOTAL
Revenues Collected:					
Local sources	\$ 708,905	15,725	194,497		919,127
State sources		136,643	176,597		313,240
Federal sources			1,490,087		1,490,087
Interest earnings	15,237				15,237
Non revenue receipts	8,369		795		9,164
Total revenues collected	<u>732,511</u>	<u>152,368</u>	<u>1,861,976</u>	<u>0</u>	<u>2,746,855</u>
Expenditures:					
Instruction	762	131,775			132,537
Support services	755,882	8,885			764,767
Operation of non-instructional services			1,949,595		1,949,595
Facilities acquisition and construction services	11,087				11,087
Other outlays:					
Correcting entry			735		735
Total expenditures	<u>767,731</u>	<u>140,660</u>	<u>1,950,330</u>	<u>0</u>	<u>2,858,721</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(35,220)	11,708	(88,354)	0	(111,866)
Adjustments to prior year encumbrances	<u>1,310</u>	<u>0</u>	<u>20,106</u>	<u>0</u>	<u>21,416</u>
Excess of revenue collected over (under) expenditures	(33,910)	11,708	(68,248)	0	(90,450)
Cash fund balances, beginning of year	<u>245,777</u>	<u>0</u>	<u>159,316</u>	<u>996</u>	<u>406,089</u>
Cash fund balances, end of year	<u>\$ 211,867</u>	<u>11,708</u>	<u>91,068</u>	<u>996</u>	<u>315,639</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-80, 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, 2015

	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	\$ 392,217	642,217	708,905		15,725	15,725	\$ 195,005	445,005	194,497	\$		
State sources					129,773	136,643		22,416	172,416			176,597
Federal sources								1,223,997	1,233,997			1,490,087
Interest earnings			15,237									
Non revenue sources			8,369									795
Total revenues collected	<u>392,217</u>	<u>642,217</u>	<u>732,511</u>	<u>0</u>	<u>145,498</u>	<u>152,368</u>	<u>1,441,418</u>	<u>1,851,418</u>	<u>1,861,976</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:												
Instruction			762			131,775						
Support services			755,882			8,885						
Operation of non-instructional services									1,949,595			
Facilities acquisition & construction services			11,087									
Other outlays:												
Reimbursement												
Correcting entry												
Other uses	637,994	887,994			145,498		1,600,734	2,010,734	735	996	996	
Total expenditures	<u>637,994</u>	<u>887,994</u>	<u>767,731</u>	<u>0</u>	<u>145,498</u>	<u>140,660</u>	<u>1,600,734</u>	<u>2,010,734</u>	<u>1,950,330</u>	<u>996</u>	<u>996</u>	<u>0</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(245,777)	(245,777)	(35,220)	0	0	11,708	(159,316)	(159,316)	(88,354)	(996)	(996)	0
Adjustment to prior year encumbrances	0	0	1,310	0	0	0	0	0	20,106	0	0	0
Excess of revenues collected over (under) expenditures	(245,777)	(245,777)	(33,910)	0	0	11,708	(159,316)	(159,316)	(68,248)	(996)	(996)	0
Cash fund balances, beginning of year	245,777	245,777	245,777	0	0	0	159,316	159,316	159,316	996	996	996
Cash fund balances, end of year	<u>\$ 0</u>	<u>-</u>	<u>211,867</u>	<u>\$ 0</u>	<u>0</u>	<u>11,708</u>	<u>\$ 0</u>	<u>0</u>	<u>91,068</u>	<u>\$ 0</u>	<u>0</u>	<u>996</u>

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS
 JUNE 30, 2015

	EXPENDABLE TRUST FUND	AGENCY FUNDS	TOTAL
<u>ASSETS</u>	GIFTS AND ENDOWMENTS FUND	SCHOOL ACTIVITY FUNDS	
Cash and Investments	\$ 61,796	500,339	562,135
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 6,450		6,450
Encumbrances	520		520
Funds held for school organizations		500,339	500,339
Total liabilities	6,970	500,339	507,309
Fund Equity:			
Cash fund balances	54,826	0	54,826
Total Liabilities and Fund Equity	\$ 61,796	500,339	562,135

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, 2015

<u>ASSETS</u>	<u>BALANCE</u> 7-01-14	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-15
Cash and Investments	\$ 489,437	1,133,388	0	1,122,486	500,339
 <u>LIABILITIES</u>					
Funds held for school organizations:					
Edmond Doyle	\$ 14,031	20,237		27,839	6,429
Edmond Doyle student	28	0		0	28
Edmond Doyle Library	1,990	2,233		1,921	2,302
Edmond Doyle faculty	87	269		198	158
Emerson	8,869	8,412		15,093	2,188
Emerson student council	0	2,278		1,591	687
Emerson faculty	140	888		744	284
William Gay ECC	9,017	10,719		11,519	8,217
William Gay ECC faculty	881	833		1,009	705
Beyond the bell	193	63,856		64,049	0
Jefferson student	1,553	2,684		3,467	770
Jefferson faculty	288	569		355	502
Will Rogers	16,414	52,454		59,554	9,314
Will Rogers - library	5,366	1,184		4,832	1,718
Will Rogers student	808	0		697	111
Will Rogers faculty	133	986		826	293
Washington ECC	3,302	2,304		4,057	1,549
Washington ECC faculty	160	103		43	220
Athletic restitution	2,745	0		788	1,957
Elementary athletics	2,525	1,465		218	3,772
Athletics - high school	57,362	177,886		143,998	91,250
Athletics - Puterbaugh	5,294	15,014		17,119	3,189
Puterbaugh general	9,026	8,700		8,900	8,826
8th Girls BB special	1,928	9,515		9,872	1,571
8th grade cheerleaders	639	5,912		2,858	3,693
8th grade band	6,536	21,023		21,336	6,223
Drug ed alliance (IDFY)	134	0		134	0
Choir	1,158	2,703		3,277	584
7th grade band	5,297	11,028		10,088	6,237
Library - Puterbaugh	402	1,700		1,763	339
Yearbook	5,133	4,330		8,450	1,013
Quiz bowl	73	0		0	73
Science fair	635	0		0	635
Spanish club	215	1,679		0	1,894
Special student fund	1,564	0		312	1,252
Student council	6,337	2,421		2,898	5,860
TSA - Tech ed	3,257	3,954		4,185	3,026
7th & 8th football spec	4,087	21,135		18,543	6,679
7th & 8th boys basketball	2,008	10		0	2,018

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, 2015

	BALANCE 7-01-14	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-15
7th grade cheerleader	\$ 5,108	6,985		544	11,549
7th & 8th girls track	2,814	0		0	2,814
7th & 8th volleyball	463	2,399		787	2,075
Parker intermediate	14,681	23,203		23,543	14,341
Parker I.C. library	2,734	0		1,886	848
Parker I.C. student council	3,825	3,653		5,093	2,385
Parker I.C. faculty	295	641		343	593
6th grade band	5,576	17,516		18,946	4,146
Academic team	804	0		0	804
Afro student union	1,206	95		872	429
Annual - High school	56,298	36,441		28,243	64,496
Art	1,245	1,070		1,311	1,004
Art	744	0		250	494
Astronomy club	1,551	621		1,837	335
Band booster concession	4,317	26,802		27,184	3,935
Band - high school	36,362	172,362		183,887	24,837
Band - jazz	763	0		629	134
Band - percussion	1,146	4,390		4,955	581
Cheerleaders - varsity	7,161	25,699		19,454	13,406
Chemistry/physics club	7	0		0	7
Choir - Puterbaugh	7,953	1,422		1,474	7,901
Color guard	5,929	5,221		5,368	5,782
4-H club	14	0		0	14
FCA	347	0		0	347
FFA	7,511	44,263		38,913	12,861
FCCLA	2,479	1,056		3,400	135
Indian heritage	1,212	3,891		4,254	849
Cheerleaders - 9th bisc	575	0		575	0
Library - high school	251	239		158	332
Montage/musical	7,359	5,870		3,960	9,269
MSH buffalo pep-ers	1	0		0	1
POM - varsity	2,501	5,690		3,852	4,339
PSAT/AP testing	2,485	3,857		3,550	2,792
Avid	165	921		0	1,086
Science fair/club - HS	6	0		0	6
Service learning	1,088	1,280		1,337	1,031
Spanish club	120	0		108	12
Student council	16,803	16,799		16,146	17,456
Thespian club	4,072	1,487		2,933	2,626
TMH	6	0		0	6
TSA - tech ed	2,025	814		1,662	1,177

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, 2015

	BALANCE 7-01-14	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-15
MHS general account	\$ 5,370	5,640		6,372	4,638
MHS faculty	1,306	4,290		4,132	1,464
FG Edwards memorial fund	1,939	0		1,625	314
MHS mock trial team	874	0		640	234
Key student	2,250	0		144	2,106
Key faculty	338	0		0	338
Special Olympics	3,296	0		268	3,028
Baseball special	667	2,485		2,549	603
Diamond Dolls (baseball)	1,629	187		891	925
Dugout club concessions	20,000	75,825		73,581	22,244
Softball booster	1,184	2,734		2,026	1,892
Stadium vendor	10,036	44,459		51,782	2,713
Boys track special	155	962		510	607
Soccer	649	3,910		3,027	1,532
Girls track special	190	963		333	820
Cross country special	91	0		0	91
Basketball booster	24	150		0	174
Boys basketball pop fund	3,047	15,538		17,584	1,001
Girls basketball pop fund	1,831	8,865		10,110	586
Mat maids (wrestling)	233	0		0	233
Wrestling booster club	526	534		1,046	14
Tennis special	1,131	0		885	246
Volleyball special	2,064	15,543		9,828	7,779
Centennial Garden	309	0		0	309
Central office Calendar	7,532	28,142		23,485	12,189
Lost / damaged textbooks	0	1,012		1,012	0
General hospitality	761	1,386		915	1,232
Central office activity	209	70		0	279
PDC	2,048	13,967		11,105	4,910
Maintenance	1,134	10,689		10,509	1,314
Special services sunshine	82	100		138	44
Ace advisory council	1,589	100		143	1,546
SNA McAlester chapter	205	0		132	73
Special events	12,789	9,282		11,169	10,902
Site Activity Funds Total	\$ 479,850	1,121,374	0	1,110,316	490,908

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, 2015

	<u>BALANCE</u> 7-01-14	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-15
Central Activity Fund:					
Cultural enrich CD	\$ 4,500	0		0	4,500
Extended day	0	1,415		1,415	0
Copier money	0	6		6	0
Cultural enrichment	5,079	44		200	4,923
Interest	0	8		8	0
MHS summer school	0	1,575		1,575	0
Miscellaneous	0	405		405	0
Petty Cash	0	200		200	0
Property rental	0	8,361		8,361	0
Arts in education	8	0		0	8
Central Activity Fund Total	<u>\$ 9,587</u>	<u>12,014</u>	<u>0</u>	<u>12,170</u>	<u>9,431</u>
 Total Liabilities	 <u><u>\$ 489,437</u></u>	 <u><u>1,133,388</u></u>	 <u><u>0</u></u>	 <u><u>1,122,486</u></u>	 <u><u>500,339</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's No.	Program or Award Amount	Balance at 7/1/14	Revenue Collected	Total Expenditures	Balance at 6/30/15
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
*Indian Education	84.060	S060A140902	\$ 237,789		162,646	233,968	71,322
Indian Education - Note	84.060	S060A130902		79,858	72,641		
P.L. 874 Impact Aid	84.041	S041B-2015-4080	6,494		6,494	2,090	
Sub-Total			<u>244,283</u>	<u>79,858</u>	<u>241,781</u>	<u>236,058</u>	<u>71,322</u>
<u>Passed Through State Department of Education:</u>							
*Title I, Basic	84.010		856,178		529,241	752,447	223,206
Title I, Basic - Note	84.010			233,885	233,885		
Title I, Neglected & Delinquent	84.010		8,063		6,718	7,391	673
Title I, Neglected & Delinquent - Note	84.010			1,858	1,858		
<u>Special Education Programs:</u>							
IDEA-B Flowthrough	84.027		668,691		477,390	557,499	80,109
IDEA-B Flowthrough - Note	84.027			104,706	104,706		
IDEA-B preschool	84.173		38,240		11,385	15,896	4,511
IDEA-B preschool - Note	84.173			5,458	5,458		
Title II Part A	84.367		168,752		127,092	134,972	7,880
Title II Part A - Note	84.367			11,248	11,248		
Title VI Part B	84.358		58,112		45,693	58,112	12,419
Title VI Part B - Note	84.358			13,314	13,314		
Title II, Part A Video	84.367		29,500		25,160	29,500	4,340
Title II, Part A Video - Note	84.367			2,444	2,444		
Adult basic education	84.002		132,252		0	97,914	97,914
Adult basic education - Note	84.002			25,765	25,765		
Gear Up	84.334		5,210		5,210	5,210	
Sub-Total			<u>1,964,998</u>	<u>398,678</u>	<u>1,626,567</u>	<u>1,658,941</u>	<u>431,052</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins	84.048		17,326		10,437	17,326	6,889
Carl Perkins - Note	84.048			12,681	12,681		
Sub-Total			<u>17,326</u>	<u>12,681</u>	<u>23,118</u>	<u>17,326</u>	<u>6,889</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
<u>*Child Nutrition Programs:</u>							
School breakfast program	10.553				482,431	59,295	
National school lunch program	10.555				928,340	904,796	
Fresh fruit and vegetable program	10.582				37,320	37,320	
Farm Bill Grant	10.559				10,110	10,110	
Summer food service program	10.559				22,862	22,862	
Summer food service program - Note	10.559			9,024	9,024		
Sub-Total				<u>9,024</u>	<u>1,490,087</u>	<u>1,034,383</u>	<u>0</u>
<u>Passed Through Rural Utilities Services:</u>							
*Distance Learning and Telemedicine	10.855		336,543		336,543	283,601	
<u>Passed Through Department of Human Services:</u>							
<u>*Non-cash assistance - commodities - Note 1</u>							
National school lunch program	10.555				99,044	99,044	
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		48,800		15,330	39,243	23,913
Johnson O'Malley - Note	15.130			31,463	31,463		
Flood Control	12.112		3,648		3,648	0	
OJT Rehab	84.126		2,500		2,500	628	
Sub-Total			<u>54,948</u>	<u>31,463</u>	<u>52,941</u>	<u>39,871</u>	<u>23,913</u>
Total Federal Assistance			<u>\$ 2,618,098</u>	<u>531,704</u>	<u>3,870,081</u>	<u>3,369,224</u>	<u>533,176</u>

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

Note 1 - Commodities received by the District in the amount of \$99,044 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, 2015

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety - Westen Surety Company	Treasurer	71296032	\$ 100,000	07/01/14 - 07/01/15
	Superintendent	71296003	100,000	07/01/14 - 07/01/15
	Activity Fund	62054741	100,000	05/05/14 - 05/05/15
	Activity Fund	70749090	100,000	07/01/14 - 07/01/15
	Payroll Clerk	62054772	100,000	05/05/14 - 05/05/15
	Administrative	71511342	100,000	01/01/15 - 01/01/16
	Minutes Clerk	71337503	1,000	10/17/14 - 10/17/15
	Deputy Minutes Clerk	71511343	1,000	02/01/15 - 02/01/16
	Honesty Blanket Bond	70744628		
	Encumbrance Clerk		2,000	07/01/14 - 07/01/15
	Child Nutrition Custodians		2,000	07/01/14 - 07/01/15
	Custodians		2,000	07/01/14 - 07/01/15
	All Employees		2,000	07/01/14 - 07/01/15

INDEPENDENT SCHOOL DISTRICT NO. I-80, PITTSBURG COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2014 TO JUNE 30, 2015

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 2014-15.

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

By Jeffrey D. Hewett
Authorized Agent

Subscribed and sworn to before me
This 17th day of December, 2015



Earlene Hart
Notary Public (or Clerk or Judge)

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