

**ANNUAL FINANCIAL REPORT
MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
JULY 1, 2014 TO JUNE 30, 2015**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015**

Board of Education

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Vice-President	Mike Ebert
Clerk	Keith Kiglow
Member	Danny Shiew
Member	Larry Stewart

Superintendent of Schools

Michael Garde

School District Treasurer

Mika Barton

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John R. Little, Jr.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015**

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MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

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KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT

The Board of Education
Muskogee School District No. I-20
Muskogee, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskogee School District I-20, Muskogee County, Oklahoma, as of and for the year ended June 30, 2015, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Muskogee School District as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, in 2015 the school district adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The provisions of GASB Statements No. 68 and 71 required the school district to adjust its net position as of July 1, 2014 upon adoption. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting 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 and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 1, 2016, on my consideration of Muskogee School District No. I-20, Muskogee County, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 1, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2015**

The discussion and analysis of Muskogee Public Schools (the District) financial performance provides an overall review of the District financial activities for the fiscal year ended June 30, 2015. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2014 and 2015 and a comparative analysis of financial information from those years is presented to aid the reader and in a more meaningful understanding of the District's financial performance for Fiscal Year 2015.

Financial Highlights

Fiscal Year 2015 operations generated significant budget activity for the General Fund. Current information is presented alongside that of Fiscal Year 2014 to illustrate changes in General Fund balance. Both years are presented on the modified accrual basis of accounting.

	Beg Fund Balance	Revenue	Expenditures	End Fund Balance
FY 2014	\$2,831,279	\$41,904,722	\$43,832,297	\$ 903,776
FY 2015	\$ 903,776	\$43,296,280	\$43,516,464	\$ 683,592

The District's Government-Wide liabilities exceeded its assets by \$ 31,001,406 as of June 30, 2015. This was a decrease of \$ 46,813,393 over the June 30, 2014 ending net position.

The District's bond fund has made a huge impact in numerous areas. Much needed renovations and repairs on old buildings, building new buildings, replacement of old technology and addition of technology where lacking.

For the fourth year in a row, enrollment declined by 62 in FY 2015 versus FY 2014. This downward trend looks to continue for FY 2016, live births are down the county as a whole, and thus, the District's enrollment.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and a statistical section. The basic financial statements include two kinds of statements that present views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in more detail than the district-wide statements.

See disclaimer in accompanying Independent Auditor's Report

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2015**

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts sole as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The statistical section is a compilation of data for a ten year period in summary form for informational purposes only.

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net assets* and how they have changed. Net assets – the difference between the district's assets and liabilities – are one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base (which is averaging a 4% per year increase with little loss in home values) and the conditions of schools buildings and other facilities.

In the district-wide financial statements, most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities, but MPS does receive more federal funding than most school districts due to the large number of impoverished students it has.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its significant or "major" funds – not the district as a whole. Funds are accounting devises the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

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**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2015**

The district has two kinds of funds:

- *Governmental funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the governmental funds statements, it explains the relationship (or differences) between them.
- *Fiduciary funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the students' activities fund and the sanctioned parent and/or booster club funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position: Net assets serve over time as a useful indicator of a government's financial position. The change in net position is important because it identifies whether the financial position of the District has improved or diminished. The District's combined net position was lower on June 30, 2015, than they were the year before, decreasing to \$(31,001,406). This was a decrease of \$46,813,393 over the close of the FY 2014 net position.

Changes in net position: Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net Assets and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, supports services, operation and maintenance of plane, pupil transportation, and extracurricular activities.

Significant fluctuations occurred in specific government activity categories. Operating grants and contributions decreased due to receiving less federal stimulus funds than the District received in the previous year. All other sources of revenue were up slightly. Instructions services was almost flat, while transportation and debt services were up significantly.

Governmental Activities

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

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**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2015**

Governmental funds. The general fund is the chief operating fund of the District. At June 30, 2015, the general fund balance was \$683,592 with \$41,321 nonspendable, leaving an unassigned fund balance of \$642,271.

As shown in the table below, and in the "Statement of Net Position" on page 8 of the financial statements the decrease in net position is a direct result of the adoption of a new Government Accounting Standards Board, Statement #68. With the new standard, future pension benefits as accrued through the Oklahoma Teachers' Retirement System must now be shown as a liability on the financial statements of the individual entities accruing the benefit. As a result, a new liability named "Net Pension Liability" is included in the Statement of Net Position on page 8 of the financial statements. Effectively, there is no change in OTRS or the school district, but the presentation on the school district's financial statements creates a significant decrease in net position.

Deferred outflows of resources are consumptions of net assets that are applicable to a future period. It includes pensions resulting from school district contributions, subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Deferred inflows of resources related to pensions are amounts which will be recognized as pension expense in subsequent fiscal years.

The following table reflects an abbreviated illustration of the impact of the implementation of GASB 68 on the net position of the school district:

Effect of GASB 68 Implementation:	<u>FY 2015</u>	<u>FY 2014</u>
Net Position, beginning as previously reported	\$15,811,987	\$15,811,987
Cumulative effect of GASB 68 implementation	<u>(49,539,607)</u>	<u>-</u>
Net Position, beginning (restated)	(33,727,620)	15,811,987
Change to net position from Y 15 activities	<u>2,726,214</u>	<u>-</u>
Net Position, ending	<u>(31,001,406)</u>	<u>15,811,987</u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the district has invested \$55,140,038 in capital assets. This represents a net increase of \$176,843 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$1,985,012.

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**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2015**

Long-term Debt

At year-end, the district had \$81,939,920 in long-term debt, an increase of 96 percent. (More detailed information about the district's long-term liabilities is presented in Note 4 to the financial statements).

- The district retired \$5,010,000 of outstanding bonds.
- \$3,570,000 in bonds were issued.
- Leases payable increased \$1,354,809.
- Other long-term debt increased \$39,170,224.

Factors Bearing on the District's Future

There are a couple of factors that could significantly affect the district's health in the future:

- With live births being down and the City starting a period of economic redevelopment and as a part of that redevelopment they intend to reduce the amount of government assisted housing and replacing with market value housing, it looks to be a period of five to eight years of population decline and then new growth.
- The declining price of oil does not reflect good times for the state as oil is a major source of income and was budgeted FY 2016 at \$45 per barrel.
- The District implemented a 1:1 in the elementary (K-1 grades). For FY 2016, the District has started a 1:1 computers for grades kindergarten and first grades and will expand one grade per thereafter until all K-12 students have a computers and/or tablets.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Muskogee Public Schools, 202 West Broadway, Muskogee, OK 74401 (918-684-3722).

See disclaimer in accompanying Independent Auditor's Report

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF NET POSITION
JUNE 30, 2015**

		Governmental Activities
<u>ASSETS</u>		
Cash	\$	1,272,332
Property tax receivable		607,271
Due from other governments		1,223,030
Miscellaneous receivables		367,229
Inventories		271,872
Capital assets		
Land		2,143,150
Construction in progress		11,288,050
Other capital assets, net of accumulated depreciation		41,708,838
Total Assets	\$	58,881,772
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred pension expense	\$	2,603,183
<u>LIABILITIES</u>		
Accounts payable	\$	914,228
Wages payable		387,715
Long-term liabilities		
Due within one year		7,173,316
Due in more than one year		34,330,483
Net pension liability		39,476,057
Total Liabilities	\$	82,281,799
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$	10,204,562
<u>NET POSITION</u>		
Invested in Capital Assets, net of related debt	\$	13,636,239
Reserved for:		
Debt service		608,063
Capital projects		29,206
Building		217,387
Child Nutrition		887,345
Unrestricted		(46,379,646)
Total Net Position	\$	(31,001,406)

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ (24,771,731)	\$ 6,828	\$ 5,154,111	\$ -	\$ (19,610,792)
Support Services					
Students	(2,720,455)	-	-	-	(2,720,455)
Instr. Staff	(1,596,811)	-	-	-	(1,596,811)
Gen. Adm.	(1,550,841)	-	-	-	(1,550,841)
School Adm.	(2,951,501)	-	-	-	(2,951,501)
Business	(2,496,092)	-	-	-	(2,496,092)
Op. & Maint.	(4,853,744)	52,784	-	-	(4,800,960)
Student Trans.	(2,418,588)	9,737	-	-	(2,408,851)
Non-Instructional	(3,704,000)	469,581	3,228,976	-	(5,443)
Capital Outlay	(3,131,346)	-	-	-	(3,131,346)
Other Outlays	(30,777)	-	-	-	(30,777)
Debt service interest	(452,319)	-	-	-	(452,319)
Total Governmental Activities	\$ (50,678,205)	\$ 538,930	\$ 8,383,087	\$ -	\$ (41,756,188)

General revenues

Taxes:

Property taxes, levied for general purposes	\$ 10,653,537
Property taxes, levied for debt service	5,429,017
Other Taxes	4,060,351
Federal and State aid not restricted to specific purposes:	
General	21,976,504
Other	933,852
Interest and investment earnings	16,340
Miscellaneous	1,412,801
Total general revenues	<u>44,482,402</u>

Changes in net position	2,726,214
Net position - beginning, restated	<u>(33,727,620)</u>
Net position - ending	<u>\$ (31,001,406)</u>

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

MUSKOGEE SCHOOL DISTRICT NO. I-20
BALANCE SHEET
GOVERNMENTAL FUND TYPES
JUNE 30, 2015

	Governmental Fund Types					Total Governmental Funds
	General Fund	Building Fund	Sinking Fund	Bond Fund	Child Nutrition Fund	
ASSETS						
Cash	\$ (13,119)	\$ 138,226	\$ 417,469	\$ 29,206	\$ 700,550	\$ 1,272,332
Receivables:						
Property taxes	369,317	47,360	190,594	-	-	607,271
Due from other governments	1,185,059	-	-	-	37,971	1,223,030
Miscellaneous receivables	367,224	-	-	-	5	367,229
Inventories	41,321	39,582	-	-	190,969	271,872
Total assets	<u>\$ 1,949,802</u>	<u>\$ 225,168</u>	<u>\$ 608,063</u>	<u>\$ 29,206</u>	<u>\$ 929,495</u>	<u>\$ 3,741,734</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	\$ 896,222	\$ 7,229	\$ -	\$ -	\$ 10,777	\$ 914,228
Accrued wages payable	369,988	552	-	-	17,175	387,715
Deferred revenues	-	-	-	-	14,198	14,198
Total liabilities	<u>\$ 1,266,210</u>	<u>\$ 7,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,150</u>	<u>\$ 1,316,141</u>
Fund equity:						
Fund Balances:						
Nonspendable Fund Balances:						
Inventories	\$ 41,321	\$ 39,582	\$ -	\$ -	\$ 190,969	271,872
Restricted Fund Balances:						
Retirement of Long-Term Debt	-	-	608,063	-	-	608,063
Restricted for Construction	-	-	-	29,206	-	29,206
Restricted by Statute	-	177,805	-	-	-	177,805
Committed Fund Balances:						
Other Committed Fund Balances	-	-	-	-	-	-
Assigned Fund Balances:						
Encumbrances	-	-	-	-	-	-
Other Assigned Fund Balances	-	-	-	-	-	-
Unassigned	642,271	-	-	-	696,376	1,338,647
Total Fund Balances	<u>\$ 683,592</u>	<u>\$ 217,387</u>	<u>\$ 608,063</u>	<u>\$ 29,206</u>	<u>\$ 887,345</u>	<u>\$ 2,425,593</u>
Total Liabilities and Fund Balances	<u>\$ 1,949,802</u>	<u>\$ 225,168</u>	<u>\$ 608,063</u>	<u>\$ 29,206</u>	<u>\$ 929,495</u>	<u>\$ 3,741,734</u>

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL FUND BALANCE-TOTAL GOVERNMENTAL FUNDS	\$	2,425,593
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.</p>		
Cost of assets	\$ 77,403,888	
Accumulated depreciation	<u>(22,263,850)</u>	55,140,038
<p>Intergovernmental revenue has been received, but has not been "earned", and is therefore deferred in the funds.</p>		
		14,198
<p>Long-Term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of:</p>		
General obligation bonds payable	\$ (11,750,000)	
Compensated absences	(409,758)	
Capital leases payable	<u>(29,344,041)</u>	(41,503,799)
<p>Deferred outflows and inflows of resources related to pensions and applicable to future periods and, therefore, not reported in funds.</p>		
		(7,601,379)
<p>Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
		<u>(39,476,057)</u>
TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES	\$	<u><u>(31,001,406)</u></u>

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. 1-20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Child Nutrition Fund	Sinking Fund	Bond Fund	Total Governmental Funds
Revenues:						
Local sources	\$ 11,158,292	\$ 1,572,140	\$ 389,472	\$ 5,435,821	\$ 977	\$ 18,556,702
Intermediate sources	1,064,983	-	-	-	-	1,064,983
State sources	26,156,132	-	47,469	-	-	26,203,601
Federal sources	4,856,235	-	3,228,977	-	-	8,085,212
Non-revenue sources	60,638	-	-	-	-	60,638
Total revenues	\$ 43,296,280	\$ 1,572,140	\$ 3,665,918	\$ 5,435,821	\$ 977	\$ 53,971,136
Expenditures:						
Instructional	\$ 25,507,774	\$ 48,411	\$ -	\$ -	\$ 59,935	\$ 25,616,120
Support services:						
Students	2,720,455	-	-	-	-	2,720,455
Staff	2,581,679	-	-	-	-	2,581,679
General administration	1,511,476	-	-	-	39,365	1,550,841
School administration	2,945,576	5,925	-	-	-	2,951,501
Business	2,442,520	51,936	-	-	1,636	2,496,092
Plant operations	3,301,033	1,294,659	-	-	-	4,595,692
Transportation	1,897,515	-	-	-	336,017	2,233,532
Noninstructional	347,670	-	3,257,079	-	-	3,604,749
Capital outlay	186,556	2,881	-	-	-	189,437
Other outlays	30,777	-	-	-	-	30,777
Debt service	43,433	197,066	-	5,207,620	3,174,056	8,622,175
Repayments	-	-	-	-	-	-
Total expenditures:	\$ 43,516,464	\$ 1,600,878	\$ 3,257,079	\$ 5,207,620	\$ 3,611,009	\$ 57,193,050
Excess of revenues over (under) expenditures	\$ (220,184)	\$ (28,738)	\$ 408,839	\$ 228,201	\$ (3,610,032)	\$ (3,221,914)
Other sources of funds - proceeds on sale of bonds	\$ -	\$ -	\$ -	\$ -	\$ 3,570,000	\$ 3,570,000
Excess of revenues and other sources of funds over (under) expenditures	\$ (220,184)	\$ (28,738)	\$ 408,839	\$ 228,201	\$ (40,032)	\$ 348,086
Fund balance, beginning of year	\$ 903,776	\$ 246,125	\$ 478,506	\$ 379,862	\$ 69,238	\$ 2,077,507
Fund balance, end of year	<u>\$ 683,592</u>	<u>\$ 217,387</u>	<u>\$ 887,345</u>	<u>\$ 608,063</u>	<u>\$ 29,206</u>	<u>\$ 2,425,593</u>

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - governmental funds \$ 348,086

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures	\$	8,813,805	
Capital outlay disposals - non-depreciated		(6,651,950)	
Depreciation expense		<u>(1,985,012)</u>	
	\$		176,843

Some of the capital assets acquired this year were financed with general obligation bonds. The amount financed by the bonds is reported in the governmental funds as a source of financing. On the other hand, the proceeds from the bonds are not revenues in the statement of revenues, expenditures, and changes in net assets but rather constitute long-term liabilities in the statement of assets, liabilities and net assets. \$ (3,570,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of assets, liabilities, and net assets and does not affect the statement of revenues, expenditures, and changes in net assets. \$ 5,010,000

Some property taxes and other revenues will not be collected for several months after the fiscal year end. These are not considered "available" revenues in the governmental funds until received. \$ (567,168)

Increase in deferred revenue in Child Nutrition Fund \$ 449

Some of the capital assets acquired this year were financed with lease-purchase proceeds. The amount financed by the lease-purchase is reported in the governmental funds as a other source of financing. On the other hand, the proceeds from the bonds are not revenues in the statement of revenues, expenditures, and changes in net assets but rather constitute long-term liabilities in the statement of assets, liabilities and net assets. \$ (4,539,375)

In the statement of activities, certain operating expenses, compensated absences and special termination benefits (voluntary separation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences used exceeded the amounts earned by \$220,642. \$ 220,642

Payments made on capital leases are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net position. \$ 3,184,566

Governmental funds report district pension contributions as expenditures. However the Statement of Activities report the cost of pension benefits earned net of employee contributions as pension expense. \$ 2,462,171

Change in Net Position of Governmental Activities \$ 2,726,214

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015**

	Fiduciary Fund Types		
	Private Purpose Trust Fund	Agency Fund	
	V. Tarpley Scholarship	Activity Fund	Total
ASSETS			
Cash	\$ 72,477	\$ 349,535	\$ 422,012
Receivables:			
Miscellaneous	-	-	-
Total assets	<u>\$ 72,477</u>	<u>\$ 349,535</u>	<u>\$ 422,012</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Due to student groups	\$ -	\$ 349,535	349,535
Accounts payable	-	-	-
Accrued wages payable	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 349,535</u>	<u>349,535</u>
Net Position			
Unreserved	<u>\$ 72,477</u>	<u>\$ -</u>	<u>\$ 72,477</u>
Total net position	<u>\$ 72,477</u>	<u>-</u>	<u>72,477</u>
Total liabilities and net position	<u>\$ 72,477</u>	<u>349,535</u>	<u>422,012</u>

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

		<u>Private Purpose Trust Fund</u>
		<u>V. Tarpley Scholarship</u>
Additions		
Interest	\$	260
Donations		<u>2,000</u>
Total Additions		<u>2,260</u>
Deductions		
Scholarships	\$	3,200
Student Activity Expenses		<u>-</u>
Total Deductions		<u>3,200</u>
Change in Net Position	\$	(940)
Net Position, Beginning of Year	\$	<u>73,417</u>
Net Position, End of Year	\$	<u><u>72,477</u></u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

The financial statements of the Muskogee Public Schools Independent District No. 20 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the District has presented the entities which comprise the primary government in the fiscal year combined financial statements.

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 the State of Oklahoma for 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.

As required by accounting principles generally accepted in the United States of America, the combined financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the District's combined financial statements to be misleading or incomplete.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) tuition or fees paid by students or citizens of the District and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, including state aid, that are not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The school district segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Statements for governmental activities present each fund as a separate column on the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities. The measurement focus of governmental funds is on the sources uses and balance of current financial resources. The school has presented the following governmental funds:

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

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.

Building Fund – The District's Building Fund is a special revenue fund and consists of monies derived from property taxes levied for the purpose of creating, remodeling or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund – The District's Child Nutrition Fund is a special revenue fund used to account for the operations of the child nutrition programs. Revenue sources include meal ticket sales and Federal and State grants for free and reduced meals.

Sinking Fund – The District's Sinking Fund is used to account for the accumulation of financial resources for the payment of general long-term 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.

Bond Fund – The District's Bond Fund is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used.

The terms "permanent" and "private purpose" 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 operations.

The District's Fiduciary Funds have been excluded from the government-wide financial statements.

Agency Fund – The District's Agency Fund is utilized to account for assets that the District holds on behalf of others as their agent and do not involve the measurement of results of operations.

Private- Purpose Trust Funds – Private-Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Account Groups

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when the payment is due.

Property taxes and interest and certain state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them or do not meet the criteria for the recognition of revenue. The District has recorded deferred revenues in the General Fund, the Special Revenue Fund, and the Debt Service Fund for property taxes, which are not collected within 60 days of year-end. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

D. Budgets and Budgetary Accounting

A budget is legally adopted by the Board of Education for the General Fund, Building Fund, Child Nutrition Fund, Sinking Fund, and the Bond Fund, that includes revenues and expenditures. These budgets are prepared on a modified accrual basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level. Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance – is utilized in all governmental funds of the District. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against the year's budget.

E. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categories of investment in fixed assets (net of related debt), restricted net position and unrestricted net position.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net position, which is associated with non-liquid capital related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position – are assets the school district is externally or legally prohibited from using for general operating purposes.

Unrestricted Net Position – represent unrestricted liquid assets.

Fund Balance Policy In Accordance With GASB Statement No. 54

It is the policy of the District to adopt Governmental Accounting Standards Board Statement No. 54 which defines how fund balances of the governmental funds are to be presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Nonspendable Fund Balance – Amounts that are not in a spendable form such as prepaid expenses, and consumable inventories are classified as Nonspendable.

Restricted Fund Balance – Amounts designated for specific purposes by their providers such as bondholders, grantors, or imposed by law through constitutional provisions or enabling legislation. The District's Building Fund balances are restricted by statute to certain capital related costs. The District's Debt Service fund balance is restricted by law to purposes of retiring the District's long-term debt. The District's Bond Fund balances are restricted by the District voters for specific construction programs. The District's Child Nutrition Fund balance is restricted by law to the operations of the District's Child Nutrition programs.

Committed Fund Balance – Amounts designated for specific purposes by the District's highest level of decision-making authority (Board of Education) and cannot be used for any other purposes unless the same highest level (Board of Education) takes action to remove or change the designation. The District commits a portion of the General Fund balance in accordance with the Board of Education's minimum fund balance policy.

The District commits a portion of the Accrual Basis Fund Balance to honor the commitments made by the District for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed to encumbrances will be equivalent to the purchase orders rolled forward from one fiscal year to the next fiscal year.

Assigned Fund Balance – Amounts the District *intends* to use for specific purposes; intent can be expressed by the governing body or by an official to which the governing body delegates the authority. The District assigns funds for education that are to be used for instruction, support services and other operating expenditures. The Superintendent and Chief Financial Officer will determine the amount of assigned fund balance at the end of each fiscal year.

Unassigned Fund Balance – This classification includes the residual fund balance of the General Fund and may be used to finance operating expenditures.

F. Assets, Liabilities and Cash Fund Balances

Cash – At year-end, the carrying amount of the District's deposits was \$1,272,332 and the bank balance was \$1,272,332. The bank balance was completely covered by federal depository insurance or by collateral held by the District's agent in the District's name.

Investments – Investments consist of direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. At year-end, the District had no investments.

Property Tax Revenue and Receivables – 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. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the tax is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. The second half of the tax becomes delinquent on April 1 of the year following the year of assessment. If taxes are delinquent and unpaid for a period of three years or more the real estate may be sold for such taxes.

Uncollected taxes assessed on valuations made each year are recorded in the District's combined financial statements. The delinquent taxes which are not collected within 60 days of year-end are recorded in the financial statements as deferred revenue. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Inventories – Inventories are stated at cost on a first-in, first-out method. Inventories in the governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories include fuel, instructional and food service supplies. Cost of donated federal surplus commodities is based on values established by the federal government at the time of donation.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

Assets capitalized have an original cost of \$2,500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and structures	50-100 years
Improvements	50-100 years
Equipment	10-45 years
Furniture and fixtures	10-15 years

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Compensated Absences – The District's policy allows certified employees to accumulate unused sick leave from year to year as long as employees remain continuously in the Muskogee School system. Beginning July 1, 2012, the maximum number of days that can be accumulated for purposes of buy back of unused sick leave cannot exceed two hundred fifty (250). For the purposes of sick leave reimbursement upon retirement, the district pays \$50.00/day for all sick leave accrued during employment not previously paid for by the Muskogee Public Schools. All certified employees hired after July 1, 2012, are not eligible to sell back unused sick leave but will be able to accrue days for use at retirement.

A twelve-month salaried employee is eligible for thirty (20) days paid vacation each year accrued at the rate of 1.67 days per month. A twelve-month, eight-hour employee accrues ten (10) vacation days per year at the rate of .83 days per month up until completion of five years continuous employment, 5-10 years accrues at 15 days per year, over 10 years accrues at 20 days. Twelve month Administrators may carry over vacation days up to a maximum of thirty (30) days. Upon retirement or resignation, the School District will reimburse an employee for no more than thirty (30) days of accrued vacation at the employee's regular daily rate.

Long-Term Debt – Long-term debt is recognized as a liability of the applicable governmental activities statement on net assets.

Fund Equity – Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

G. Revenue, Expenses and Expenditures

Local Revenues – Revenue from local sources is revenue produced within the school district, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the school board.

Intermediate Revenues – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, such as a county or municipality, and redistributed to the school district.

State Revenues – Revenue 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.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Benefits Funded by the state of Oklahoma: For 2015, the state of Oklahoma contributed estimated payments benefiting District employees as follows:

Plan:	Teacher's Retirement System of Oklahoma	Amount:	\$303,095
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The District has recognized the revenues and expenditures related to this on-behalf payment in its financial statements.

Federal Revenues – Revenue from Federal sources is money originating from the Federal government and made available to the school district either as direct grants or under various programs passed-through the State Department of Education.

The Federal government also makes payments to school districts whose revenues are adversely affected by the presence of Federal activities. Although these payments are made in consideration of lost property tax revenue, the Oklahoma State Department of Education advocates classifying such amounts as revenue from Federal sources.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant 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 objective of instruction, community services and enterprise programs, rather than as entitles within them.

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

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement 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 overpayments, non-qualified expenditures, and other refunds to be repaid from District funds.

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.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expense initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the school district that are applicable to a future reporting period. At June 30, 2015, the school district's deferred outflows of resources were comprised of deferred outflows related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the school district that are applicable to a future reporting period. At June 30, 2015, the school district deferred inflows of resources were comprised of deferred inflows to pensions.

New accounting pronouncements adopted in fiscal year 2015: The school district adopted the following new accounting pronouncement during the year ended June 30, 2015:

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 (GASB No. 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. The provisions of the statement are effective for fiscal periods beginning after June 15, 2014. The adoption of GASB No. 68 resulted in a decrease in Net Position of \$47,077,436.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68 (GASB No. 71) was issued in November 2013 and amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement were required to be adopted simultaneously with the adoption of GASB Statement 68. The adoption of GASB No. 71 resulted in the recording of a deferred outflow of \$2,603,183 for contributions after the measurement date of the beginning net pension liability.

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for the school district in future fiscal years. A description of the new accounting pronouncements and the school districts consideration of the impact of these pronouncements are described below:

Statement No. 72, Fair value Measurement and Application (GASB No. 72) was issued in February 2015 and requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement. This statement is effective for financial statements for periods beginning after June 15, 2015.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies (continued)

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB No. 73) was issued in June 2015, will be effective for the school district beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB No. 75) was issued in June 2015, will be effective for the school district beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

Statement No. 76, The Hierarchy of Generally Accepted accounting Principles for State and Local Governments (GASB No. 76) was issued in June 2015 and supersedes Statement No. 55, The Hierarchy of Generally Accepted accounting Principles for State and Local Governments. The requirements of this Statements are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The school district is currently evaluating the impact that these new standards will have on its financial statements.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

3. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the District.
9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

Custodial Credit Risk:

Deposits and Investments - The District's demand deposits are required by law to be collateralized by the amount that is not federally insured.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution, but are pledged to the District. The security cannot be released, substituted, or sold without the Treasurer's approval and release of the security.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Deposit Categories of Credit Risk (continued)

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

Credit Risk:

The District has no formal written policy addressing credit risk.

At June 30, 2015, the District had no investments that are not guaranteed by the full faith and credit of the United States Government.

4. Receivables

Receivables at June 30, 2015, for the individual Governmental funds in the aggregate are as follows:

	<u>General</u>	<u>Building</u>	<u>Sinking</u>	<u>Child Nutrition</u>	<u>Total Governmental</u>
Receivables					
Ad Valorem taxes	\$ 369,317	\$ 47,360	\$ 190,594	\$ -	\$ 607,271
Federal and state grants	1,185,059	-	-	37,791	1,222,850
Miscellaneous	367,224	-	-	5	367,229
Gross Receivables	1,921,600	47,360	190,594	37,796	2,197,350
Less deferred revenue	-	-	-	(14,198)	(14,198)
Net total receivables	<u>\$ 1,921,600</u>	<u>\$ 47,360</u>	<u>\$ 190,594</u>	<u>\$ 23,598</u>	<u>\$ 2,183,152</u>

5. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2015, follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,143,150	\$ -	\$ -	\$ 2,143,150
Construction in Progress	17,940,000	-	6,651,950	11,288,050
Total Capital assets, not being depreciated:	<u>\$ 20,083,150</u>	<u>\$ -</u>	<u>\$ 6,651,950</u>	<u>\$ 5,425,576</u>
Capital assets being depreciated:				
Buildings	\$ 45,598,051	\$ 5,609,375	\$ -	\$ 51,207,426
Furniture and equipment	3,866,766	2,595,104	17,800	6,444,070
Vehicles	4,930,857	540,565	776,147	4,695,274
Software	1,559,011	68,761	1,855	1,625,917
Total capital assets being depreciated:	<u>55,954,685</u>	<u>8,813,805</u>	<u>795,802</u>	<u>63,972,688</u>
Less accumulated depreciation:	<u>(21,074,640)</u>	<u>(1,985,012)</u>	<u>795,802</u>	<u>(22,263,850)</u>
Total capital assets being depreciated, net	<u>\$ 34,880,045</u>	<u>\$ 6,828,793</u>	<u>\$ -</u>	<u>\$ 41,708,838</u>
Governmental activities capital assets, net	<u>\$ 54,963,195</u>	<u>\$ 6,828,793</u>	<u>\$ 6,651,950</u>	<u>\$ 55,140,038</u>

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Assets (continued)

Fiscal year 2014-15 depreciation expense was charged to expenditure functions of the District as follows:

Governmental Activities

Instruction	\$	853,555
Support Services		258,051
Non-Instructional		99,251
Capital Outlay		<u>774,155</u>
 Total Depreciation	 \$	 <u>1,985,012</u>

6. 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 from the date of issue.

General long-term debt of the District consists of bonds payable, capital leases, voluntary separation payable, and obligations for compensated absences. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Capital lease payments are made from the General, Building, and Bond funds. Compensated absences are paid from the fund from which they accrue.

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Bonds Payable	\$ 13,190,000	\$ 3,570,000	\$ 5,010,000	\$ 11,750,000
Leases Payable	27,989,232	4,539,375	3,184,566	29,344,041
Compensated Absences	505,600	-	95,842	409,758
Voluntary Separation Payable	<u>124,800</u>	<u>-</u>	<u>124,800</u>	<u>-</u>
 Total	 \$ <u>41,809,632</u>	 \$ <u>8,109,375</u>	 \$ <u>8,415,208</u>	 \$ <u>41,503,799</u>

A brief description of the outstanding general obligation bond issues at June 30, 2015, is set forth below:

	<u>Amount Outstanding</u>
School District No. I-20 Building Bonds, Series 2012 original issue \$7,120,000, interest rate of 1.00% to 1.25%, first installment of \$1,780,000 due July 1, 2014, and annual installments of \$1,780,000 due thereafter, final payment of \$1,780,000 due July 1, 2017.	\$ 3,560,000
School District No. I-20 Combined Purpose Bonds, Series 2014, original issue \$4,545,000, interest rate of .70% to 1.25%, with the first payment of \$1,125,000 starting July 1, 2015, and annual installments of \$1,125,000 and final payment of \$1,170,000 due July 1, 2018.	3,420,000 2,400,000

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

General Long-Term Debt (continued)

School District No. I-20 Combined Purpose Bonds, Series 2011, original issue \$4,745,000, interest rate of 1.0% to 1.7%, with the first payment of \$1,145,000 starting July 1, 2014, and annual installments of \$1,200,000 and final payment due July 1, 2016.	1,200,000
School District No. I-20 Combined Purpose Bonds, Series 2014, original issue \$3,570,000 interest rate of .75% to 1.25%, with the first installment of \$870,000 due July 1, 2016, and annual payments of \$900,000 due thereafter, final payment due July 1, 2019.	3,570,000
Total Bonds Outstanding	\$ 11,750,000

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

Year ending June 30,	Principal	Interest	Total
2016	\$ 2,980,000	\$ 220,489	\$ 3,200,489
2017	3,775,000	105,046	3,880,046
2018	2,025,000	59,408	2,084,408
2019	2,070,000	27,563	2,097,563
2020	900,000	11,250	911,250
Total	\$ 11,750,000	\$ 423,576	\$ 12,173,756

Capital Leases Payable

The School District's lease-purchase commitments include property financed through a technique referred to as "conduit financing". Conduit financing involves the use of a public trust, which issues conduit debt obligations (limited-obligations revenue bonds, certificates of participation, or similar debt instruments) for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The public trust has no obligation for such debt beyond the resources provided by a lease or loan with the third party, on whose behalf the debt is issued.

The District entered into a ground lease with Muskogee Industrial Trust Authority, (The Authority) a public trust organized under the laws of the State of Oklahoma, on July 1, 2014, for certain real property owned by the District. The Ground Lease Agreement was made to facilitate the issuance of revenue bonds by the Industrial Authority to provide funds to construct, equip, and repair school buildings.

The District entered into a sublease agreement with Muskogee Industrial Trust Authority in July 2013 wherein the real property subject to the Ground Lease mentioned in the previous paragraph is subleased to the school district to enable the District to utilize proceeds of the revenue bonds issued by The Authority, for the construction and improvements on the real property and provide a method for the District to obtain title to the property and improvements.

Ownership of the aforementioned improvements reverts to the District in partial amounts coinciding with the lease purchase payments.

Accordingly, the estimated construction costs of the assets were recorded as construction in progress in the District's General Fixed Assets. As the additions and improvements are completed and become District owned, those amounts are transferred out of construction in progress and into applicable asset categories.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

General Long-Term Debt (continued)

The sublease agreement expires on June 30, of each fiscal year, unless extended additional one year terms. The District has the option to extend sublease terms for successive annual terms by affirmative action of the Board of Education. The following is a schedule by years of future payments due under the sublease:

Year ending June 30,	Total Payment
2016	\$ 1,980,000
2017	1,980,000
2018	1,980,000
2019	1,980,000
2020	1,980,000
2021-2023	<u>6,060,000</u>
Total	<u>\$ 15,960,000</u>

The District is financing the lease payments due under the sublease agreement through the periodic issuance of portions of \$17,967,000 in Building Bonds, which were authorized and approved by School District voters at an election held on May 14, 2013. These bonds are scheduled to be issued on dates, and in amounts, which coincide with sublease rental payments.

In addition, the District has commitments under various other capital leases for turf, computers, document imaging equipment, an energy management system, projectors, computers, vehicles, network equipment, choral uniforms, and construction of maintenance facility. The following schedule shows the composition of total minimum lease payments for all of the District's capital leases other than the conduit financing shown in the table above, outstanding as of June 30, 2015.

Year ending June 30,	Principal	Interest	Total
2016	\$ 2,213,316	\$ 292,340	\$ 2,505,656
2017	4,231,910	291,573	4,523,483
2018	2,214,410	181,332	2,395,742
2019	2,104,939	125,384	2,230,323
2020	<u>2,619,467</u>	<u>69,434</u>	<u>2,688,901</u>
Total	<u>\$ 13,384,042</u>	<u>\$ 960,063</u>	<u>\$ 14,344,105</u>

The present value of minimum sublease payments is recorded in the District's Long-Term Debt Account Group. Lease payments are primarily payable from the Capital Projects Fund, Special Revenue Funds and General Fund.

Compensated Absences

Compensating absences represent the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination or resignation. The liability at June 30, 2015, totaled \$409,758 and is recorded as long-term debt of the District. The retirement of this liability is paid from the General Fund or Special Revenue Funds based on the assignment of the employee at termination or resignation. Accrued totals by category are as follows:

Administration	\$ 86,808
Teachers	199,810
Support Personnel	<u>123,140</u>
Total	<u>\$ 409,758</u>

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Employee Retirement System

The District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which is a cost-sharing multiple-employer public employee retirement system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

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 nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2015, is as follows:

		Dollars in Millions
Actuarial Accrued Liability	\$	20,693
Actuarial Value of Assets		13,772
Unfunded Actuarial Accrued Liability	\$	6,921

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55).

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Employee Retirement System (continued)

The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit. A participant leaving employment before attaining retirement age, but completing five years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The employers' contribution rate is 9.5%. Employees contribute 7.0% of covered compensation.

Contributions

The contribution rates for the District and its employees, which are prescribed by Oklahoma State statutes, are based employee's earnings, plus employer-paid fringe benefits. The School District is required to contribute 9.5% of applicable employee compensation. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contributions for participating members is 7%. The State of Oklahoma, a non-employee contributing entity, provides funds through 5% of the state's sales, use, corporate, and individual income tax collected. The system also receives 1% of the cigarette tax collected by the state and 5% of the net lottery proceeds collected by the state. Employers of OTRS members whose compensation is paid from federal funds are required to match the contributions of these members on that portion of compensation paid from federal funds. The federal match rate is set by the OTRS Board of Trustees and as of April 1, 2015 is 8.25%.

Annual Pension Cost

The District's total contribution for 2015, 2014, and 2013 were \$4,306,675, \$4,635,594, and \$4,314,022, respectively. The District's total payroll for fiscal year 2014-15 amounted to \$28,640,399.

Teacher's Retirement Offset – The State of Oklahoma credits each certified teacher's retirement account an amount set out in statute depending on their years of service. GASB standards require that this be recorded as a revenue and expenditure in the financial statements. The District total amount recorded amounted to \$303,095.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$39,476,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The school district's proportion of the net pension liability was based on the school district's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the school district's proportion was .73377393 percent.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Employee Retirement System (continued)

For the year ended June 30, 2015, the school district recognized pension expense of \$2,311,549. At June 30, 2015, the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	-	\$	650,683
Net difference between projected and actual earnings on pension plan investments		-		9,553,879
School District contributions subsequent to the measurement date		<u>2,603,183</u>		<u>-</u>
Total	\$	<u>2,603,183</u>	\$	<u>10,204,562</u>

Deferred pension outflows totaling \$2,603,183 resulting from the school district's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling \$9,553,879 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$650,683 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended</u>		
2016	\$	1,992,111
2017		1,992,111
2018		1,992,111
2019		1,992,111
2020		1,992,111
Thereafter		<u>244,007</u>
	\$	<u>10,204,562</u>

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Employee Retirement System (continued)

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actual assumptions:

- Actuarial Cost method-Entry Age Normal
- Amortization Method-Level Percentage of Payroll
- Amortization Period-Amortization over an open 30-year period
- Asset Valuation Method-5 year smooth market
- Inflation-3.0 percent
- Salary Increases-Composed of 3.0 percent inflation, plus 1.0 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return-8.0 percent
- Retirement Age-Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009
- Mortality-RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90.0 percent for males and 80.0 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.50%	6.60%
Domestic Equity	57.50%	6.80%
Private Equity	5.00%	7.90%
Real Estate	7.00%	5.50%
Limited Partnerships	7.00%	7.90%
	100.00%	

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013, and 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Employee Retirement System (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the school district's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the school district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ <u>55,842,909</u>	\$ <u>39,476,057</u>	\$ <u>40,841,692</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/> or by writing to the Oklahoma Teachers Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

8. Contingencies

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Also, in the event of any unfavorable outcomes, the District and its legal counsel believe that adequate insurance coverage exists and that there will be no adverse economic impact on the financial condition of the District.

9. Sanctioned Organizations

The following entities are separately constituted and, accordingly, their financial position and results of operations have not been presented in the accompanying financial statements. The school board does not appoint officers. The school board is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the entity.

MHS Rougher Football Booster	ARJH PTO
MHS Volleyball	BFSA PTA
Rougher Wrestling	Cherokee PTO
MHS Softball Booster Club	Creek PTO
MHS Cheer Booster Club	Muskogee Lady Rougher Basketball
MHS Tennis Booster Club	Harris Job PTO
MHS Kicker Club-Soccer	Irving PTA
MHS Boys Basketball	Early Childhood Center PTA
MHS Dugout Club	Pershing PTA
MHS Rougher Girls Golf	Sadler PTA
MHS PTSA	Tony Goetz PTO
MHS Quarter Note Club	Whittier PTA
Muskogee 4-H & Livestock Booster Club	

**MUSKOGEE SCHOOL DISTRICT NO. I-20
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Employee Retirement System (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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	<u>1% Decrease</u> (7.00%)	<u>Current Discount</u> Rate (8.00%)	<u>1% Increase</u> (9.00%)
District's proportionate share of the net pension liability	\$ <u>55,842,909</u>	\$ <u>39,476,057</u>	\$ <u>40,841,692</u>

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- | | |
|---|---|
| <ul style="list-style-type: none"> MHS Rougher Football Booster MHS Volleyball Rougher Wrestling MHS Softball Booster Club MHS Cheer Booster Club MHS Tennis Booster Club MHS Kicker Club-Soccer MHS Boys Basketball MHS Dugout Club MHS Rougher Girls Golf MHS PTSA MHS Quarter Note Club Muskogee 4-H & Livestock Booster Club | <ul style="list-style-type: none"> ARJH PTO BFSA PTA Cherokee PTO Creek PTO Muskogee Lady Rougher Basketball Harris Job PTO Irving PTA Early Childhood Center PTA Pershing PTA Sadler PTA Tony Goetz PTO Whittier PTA |
|---|---|

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

10. 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. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund, so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

11. Surety Bonds

The Superintendent is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$100,000 for the term December 23, 2014 to December 23, 2015.

The treasurer is bonded by Old Republic Surety Company bond number LSM0322263, for the sum of \$250,000 for the term of December 23, 2014, to December 23, 2015.

The chief financial officer is bonded by Old Republic Surety Company bond number POB 1101406, for the sum of \$250,000 for the term of June 30, 2014, to June 30, 2015.

The encumbrance clerk is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$100,000 for the term December 23, 2014 to December 23, 2015.

The activity fund clerks are bonded by Old Republic Surety Company bond number POB 1106903, for the penal sum of \$1,000 for the term December 23, 2014 to December 23, 2015.

The minute clerk is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$1,000 for the term December 23, 2014 to December 23, 2015.

The activity fund custodian is bonded by Old Republic Surety Company bond number POB 1106903, for the penal sum of \$100,000 for the term December 23, 2014 to December 23, 2015.

12. Restatement Beginning Net Position

Beginning net position, as previously reported	\$ 15,811,987
Implementation of GASB Statement 68 & 71	<u>(49,539,607)</u>
Beginning net position, restated	<u>\$ (33,727,620)</u>

REQUIRED SUPPLEMENTARY INFORMATION

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	Over (Under)
Revenues:				
Local	\$ 10,428,012	\$ 11,101,633	\$ 11,158,292	\$ 56,659
Intermediate sources	1,025,000	1,050,000	1,064,983	14,983
State sources	25,052,586	25,390,907	26,156,132	765,225
Federal sources	4,840,989	4,640,000	4,856,235	216,235
Non-revenue sources	-	-	60,638	60,638
Total revenues	\$ 41,346,587	\$ 42,182,540	\$ 43,296,280	\$ 1,053,102
Expenditures:				
Instructional	\$ 24,500,000	\$ 25,178,007	\$ 25,507,774	\$ (329,767)
Support services:				
Students	2,700,000	2,780,000	2,780,771	(771)
Staff	2,521,557	2,580,000	2,581,679	(1,679)
General administration	1,500,000	1,511,000	1,511,476	(476)
School administration	2,850,000	2,940,000	2,945,576	(5,576)
Business	1,847,658	2,442,500	2,442,520	(20)
Plant operations	3,300,000	3,301,033	3,301,033	-
Transportation	1,850,000	1,800,000	1,897,515	(97,515)
Noninstructional	325,000	333,592	347,670	(14,078)
Capital outlay	-	-	186,556	186,556
Other outlays	-	-	30,777	(30,777)
Debt service	-	-	43,333	(43,333)
Repayments	-	-	-	-
Total expenditures	\$ 41,394,215	\$ 42,866,132	\$ 43,576,680	\$ (337,436)
Excess of revenues over (under) expenditures	\$ (47,628)	\$ (683,592)	\$ (280,400)	\$ 715,666
Other sources of funds - Cancelled warrants	\$ -	\$ -	\$ -	-
Excess of revenues and other sources of funds over (under) expenditures	\$ (47,628)	\$ (683,592)	\$ (280,400)	\$ 403,192
Fund balance, beginning of year	\$ 500,000	\$ 500,000	\$ 903,776	\$ -
Fund balance, end of year	\$ 452,372	\$ (183,592)	\$ 623,376	\$ 403,192

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
Local	\$ 1,405,175	\$ 1,482,666	\$ 1,572,140	\$ 89,474
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
	<u>\$ 1,405,175</u>	<u>\$ 1,482,666</u>	<u>\$ 1,572,140</u>	<u>\$ 89,474</u>
Total revenues				
	<u>\$ 1,405,175</u>	<u>\$ 1,482,666</u>	<u>\$ 1,572,140</u>	<u>\$ 89,474</u>
Expenditures:				
Instructional	\$ 25,000	\$ 115,053	\$ 48,411	\$ 66,642
Support services:				
Students	-	-	-	-
Staff	-	-	-	-
General administration	-	-	-	-
School administration	5,000	6,000	5,925	75
Business	50,000	55,000	51,936	3,064
Plant operations	1,277,529	1,300,000	1,294,659	5,341
Transportation	-	-	-	-
Central	-	-	-	-
Other	-	-	-	-
Noninstructional	-	-	-	-
Capital outlay	199,471	224,000	2,881	221,119
Other outlays	-	-	-	-
Other Uses	-	-	-	-
Debt Service	-	-	197,066	(197,066)
	<u>\$ 1,557,000</u>	<u>\$ 1,700,053</u>	<u>\$ 1,600,878</u>	<u>\$ 99,175</u>
Total expenditures				
	<u>\$ 1,557,000</u>	<u>\$ 1,700,053</u>	<u>\$ 1,600,878</u>	<u>\$ 99,175</u>
Excess of revenues over (under) expenditures	<u>\$ (151,825)</u>	<u>\$ (217,387)</u>	<u>\$ (28,738)</u>	<u>\$ 188,649</u>
Other sources of funds -				
Cancelled warrants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues and other sources of funds over (under) expenditures	<u>\$ (151,825)</u>	<u>\$ (217,387)</u>	<u>\$ (28,738)</u>	<u>\$ 188,649</u>
Fund balance, beginning of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 246,125</u>	<u>\$ -</u>
Fund balance, end of year	<u><u>\$ 348,175</u></u>	<u><u>\$ 282,613</u></u>	<u><u>\$ 217,387</u></u>	<u><u>\$ 188,649</u></u>

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
Local	\$ 376,750	\$ 376,200	\$ 389,459	\$ 13,259
Intermediate sources	-	-	-	-
State sources	45,000	45,000	47,469	2,469
Federal sources	2,919,100	2,990,000	3,033,817	43,817
Total revenues	\$ 3,340,850	\$ 3,411,200	\$ 3,470,745	\$ 59,545
Expenditures:				
Instructional	\$ -	\$ 2,209	\$ -	\$ 2,209
Support services:				
Students	-	-	-	-
Staff	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations	-	-	-	-
Transportation	-	-	-	-
Central	-	-	-	-
Other	-	-	-	-
Noninstructional	3,144,800	4,298,545	3,061,920	1,236,625
Capital outlay	-	-	-	-
Other outlays	-	-	-	-
Other Uses	-	-	-	-
Debt Service	-	-	-	-
Total expenditures	\$ 3,144,800	\$ 4,300,754	\$ 3,061,920	\$ 1,238,834
Excess of revenues over (under) expenditures	\$ 196,050	\$ (889,554)	\$ 408,825	\$ 1,298,379
Other sources of funds - cancelled warrants	\$ -	\$ -	\$ 14	\$ -
Excess of revenues and other sources of funds over (under) expenditures	\$ 196,050	\$ (889,554)	\$ 408,839	\$ 1,298,379
Fund balance, beginning of year	\$ 600,000	\$ 887,345	\$ 478,506	\$ -
Fund balance, end of year	\$ 796,050	\$ (2,209)	\$ 887,345	\$ 1,298,379

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
BOND FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local	\$ -	\$ -	\$ 977	\$ 977
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
	-	-	-	-
Total revenues	\$ -	\$ -	\$ 977	\$ 977
Expenditures:				
Instructional	\$ -	\$ 20,906	\$ 59,935	\$ (39,029)
Support services:				
Students	-	-	-	-
Staff	-	-	-	-
General administration	-	3,915	40,436	(36,521)
School administration	-	-	-	-
Business	-	1,636	1,636	-
Plant operations	-	-	-	-
Transportation	-	548,929	520,002	28,927
Central	-	-	-	-
Other	-	-	-	-
Child nutrition	-	-	-	-
Noninstructional	-	-	-	-
Capital outlay	3,089,238	3,020,000	2,989,000	31,000
Other outlays	-	-	-	-
Other uses	-	-	-	-
Debt service	-	-	-	-
	-	-	-	-
Total expenditures	\$ 3,089,238	\$ 3,595,386	\$ 3,611,009	\$ (15,623)
Excess of revenues over (under) expenditures	\$ (3,089,238)	\$ (3,595,386)	\$ (3,610,032)	\$ (14,646)
Other sources of funds - proceeds on sales of bonds	\$ 3,020,000	\$ 3,526,148	\$ 3,570,000	\$ 43,852
Excess of revenues and other sources of funds over (under) expenditures	\$ (69,238)	\$ (69,238)	\$ (40,032)	\$ 29,206
Fund balance, beginning of year	\$ 69,238	\$ 69,238	\$ 69,238	\$ -
Fund balance, end of year	\$ -	\$ -	\$ 29,206	\$ 29,206

The accompanying notes are an integral part of these financial statements.

OTHER SUPPORTING INFORMATION

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

CHEROKEE ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 1,633	\$ 8,842	\$ -	\$ 7,700	\$ 2,775
Library/Media Center	25	2,894	-	811	2,108
Total Cherokee Elementary	<u>\$ 1,658</u>	<u>\$ 11,736</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 4,883</u>

CREEK ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 6,229	\$ 17,398	\$ -	\$ 18,389	\$ 5,238
Foundation	-	734	-	688	47
Library	181	8,803	164	8,881	267
Total Creek Elementary	<u>\$ 6,410</u>	<u>\$ 26,935</u>	<u>\$ 164</u>	<u>\$ 27,958</u>	<u>\$ 5,552</u>

BFSA ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 1,839	\$ 29,330	\$ -	\$ 26,879	\$ 4,290
Foundation Grants	-	3,557	-	1,266	2,292
Library/Media Center	930	7,889	-	7,470	1,350
Yearbook	217	2,455	-	1,969	703
Textbook Recovery	-	40	-	-	40
Student Council	-	220	-	89	131
Total BFSA Elementary	<u>\$ 2,986</u>	<u>\$ 43,491</u>	<u>\$ -</u>	<u>\$ 37,673</u>	<u>\$ 8,806</u>

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

GRANT FOREMAN ELEMENTARY

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Concessions	\$ 3,647	\$ 4,453	\$ -	\$ 5,288	\$ 2,812
Foundation Grants	-	2,500	-	2,500	3,647
Total Grant Foreman Elementary	\$ 3,647	\$ 6,953	\$ -	\$ 7,788	\$ 2,812

HARRIS JOBE ELEMENTARY

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Concessions	\$ 3,870	\$ 8,887	\$ -	\$ 9,324	\$ 3,433
Foundation Grants	-	4,799	-	793	4,006
Library/Media Club	411	5,758	-	5,627	542
Student Council	1,185	136	-	1,151	170
Total Harris Jobe Elementary	\$ 5,466	\$ 19,580	\$ -	\$ 16,895	\$ 8,151

IRVING ELEMENTARY

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Concessions	\$ 10,569	\$ 2,039	\$ -	\$ 8,554	\$ 4,054
Foundation Grants	-	3,477	-	858	2,619
Indian Ed	361	-	-	97	264
Student Council	10	-	-	-	10
Irving Yearbook	1,825	903	-	1,390	1,338
Total Irving Elementary	\$ 12,765	\$ 6,419	\$ -	\$ 10,899	\$ 8,285

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

PERSHING ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 1,417	\$ 4,338	\$ -	\$ 4,254	\$ 1,501
Library/Media Center	134	7,640	-	7,002	772
Teachers' Fund	7	-	-	-	7
Technology Education	119	-	-	-	119
Total Pershing Elementary	\$ 1,677	\$ 11,978	\$ -	\$ 11,256	\$ 2,399

SADLER ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 3,416	\$ 3,030	\$ -	\$ 1,105	\$ 5,341
Foundation Grants	-	11,208	-	3,964	7,244
Special Help Club	6,975	648	-	1,023	6,600
Library/Media	-	195	(195)	-	-
Total for Sadler Elementary	\$ 10,391	\$ 15,081	\$ (195)	\$ 6,092	\$ 19,185

TONY GOETZ ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 4,683	\$ 16,935	\$ -	\$ 15,510	\$ 6,108
Foundation	-	1,341	-	1,327	14
Library/Media	1,304	10,223	-	11,370	157
Sixth Grade	1,771	135	-	1,548	358
Total Tony Goetz Elementary	\$ 7,758	\$ 28,634	\$ -	\$ 29,755	\$ 6,637

WHITTIER ELEMENTARY

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 4,705	\$ 8,707	\$ -	\$ 7,516	\$ 5,896
Foundation Grants	1,717	3,836	-	3,006	2,547
Library	-	685	-	225	460
Total Whittier Elementary	\$ 6,422	\$ 13,228	\$ -	\$ 10,747	\$ 8,903

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

MECC ELEMENTARY

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Concessions	\$ 905	\$ 17,778	\$ -	\$ 9,473	\$ 9,210
Library Media Center	1,073	1,664	-	1,351	1,386
Foundation Grants	505	6,000	-	-	6,505
Pre School	5,336	21,540	-	25,401	1,475
Total MECC Elementary	\$ 7,819	\$ 46,982	\$ -	\$ 36,225	\$ 18,576

DISTRICT

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Honors Banquet	\$ 2,098	\$ 8,180	\$ -	\$ 8,419	\$ 1,859
Instructional	49	-	-	-	49
Board/Superintendent	3,470	12,457	(885)	8,104	6,938
Support Services	292	-	-	27	265
TV Production	-	-	990	-	990
Technology	569	3,102	1,788	2,406	3,053
Before/After School Care	2,223	880	-	1,570	1,533
Finance	4,339	3,143	(221)	4,525	2,736
Staff development	808	3,200	-	2,810	1,198
General	2,856	-	(2,018)	-	838
Indian Ed	142	-	-	36	106
Cross Country	200	-	-	-	200
Personnel	565	-	-	499	66
Rougher Special Olympics	7,122	2,711	(3)	3,538	6,292
Regional Science Fair	11,716	11,088	-	12,717	10,087
Special Education	9,575	4,955	-	4,222	10,308
Camp Bennett - Adults	5,197	12,192	-	10,258	7,131
Total for District	\$ 51,221	\$ 61,908	\$ (349)	\$ 59,131	\$ 53,649

ALTERNATIVE (ROUGHER) ACADEMY

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Concessions	\$ 1,511	\$ 5,353	\$ -	\$ 3,245	\$ 3,619
FCCLA	93	-	-	70	23
Total for RAA	\$ 1,604	\$ 5,353	\$ -	\$ 3,315	\$ 3,642

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

7TH/8TH GRADE CENTER

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
The Storm	\$ 1,045	\$ 504	\$ -	\$ 587	\$ 962
7/8th Yearbook	1,593	2,655	-	3,321	927
Band	-	25	-	-	25
8th Girls Basketball	245	-	-	-	245
City FD-Advocacy	938	-	-	566	372
Cheerleaders	3,780	6,192	(1,811)	7,611	550
Choral/Chorus	2,411	10,416	-	9,913	2,913
Concessions	16,144	7,554	(347)	17,603	5,748
Roughers Outdoor Camp (ROC)	-	-	-	-	-
FCCLA	39	9,059	194	9,034	258
Foundation Grants	-	6,546	-	1,100	5,446
Hospitality Fd	199	145	-	199	145
Library/Media Center	1,778	422	-	901	1,299
NASA	8	330	153	132	359
PE Club	59	159	-	-	218
Video Production	844	515	-	464	895
Reading Dept	1,672	-	-	-	1,672
Student Council	1,115	113	-	134	1,094
Technology Education	878	2,854	-	2,600	1,131
7/8th Gr Tennis Club	2,331	420	-	1,592	1,159
Total 7th/8th Grade Center	\$ 35,080	\$ 47,909	\$ (1,811)	\$ 55,757	\$ 25,418

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

MUSKOGEE HIGH SCHOOL

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Academic Pursuit Team	\$ 109	\$ 24	\$ -	\$ -	\$ 133
AP - Art	409	1,210	-	264	1,355
All School Musical	14,825	17,652	-	14,585	17,892
Arts & Crafts	2,060	1,435	-	450	3,045
Band	1,565	-	2,868	4,433	-
African American Heritage	274	105	-	15	364
Broadcasting	655	20	-	508	168
Basketball - Boys	1,467	2,700	-	1,915	2,252
Basketball - Girls	214	3,662	-	3,709	167
City Fd - Advocacy	-	-	-	-	-
Cheerleaders	6,470	37,629	1,811	31,722	14,188
Choral/Chorus	12,999	28,232	(120)	22,405	18,707
Clearing	-	108	-	-	108
Concessions	3,230	6,073	-	5,543	3,760
Counselor	792	2,930	-	2,833	889
DECA	2,245	1,185	141	3,571	-
Dance	1,331	-	-	1,191	140
Drama	615	853	-	869	599
BPA	752	-	-	35	717
FFA	5,889	23,234	-	22,362	6,760
FCCLA	-	2,348	-	2,336	12
Football	1,965	20	-	1,444	541
Class of 2015	12,365	1,570	(5,417)	8,370	148
Class of 2016	393	16,567	5,868	12,826	10,002
Class of 2017	33	1,099	999	832	1,299
Class of 2013 Prom	-	82	(82)	-	-
Class of 2014	1,362	301	(1,368)	60	235
Athletics	6,632	44,341	(681)	42,056	8,236
Women's Golf	685	2,475	-	1,809	1,352
Foundation Grants	3,000	2,589	-	5,318	271
German Club	286	1,020	-	992	313
Graphic Art Design	681	1,470	681	1,336	1,496
International Club	-	160	-	-	160
Golf - Mens	3,376	2,105	-	358	5,123
Honor Society	2,022	580	-	842	1,760
Innovative Ideas	12,387	6,998	(3,009)	10,346	6,030
Oklahoma Honor Society	983	474	-	148	1,309
Wrestling	1,248	-	-	580	668
Character Club	6,739	6,302	-	5,114	7,927
Library/Media Center Club	331	294	-	492	133
Tennis - women	4,134	210	-	-	4,344
MHS Yearbook	21,248	13,596	-	26,237	8,607

(continued)

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

TRANSPORTATION

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ -	\$ 243	\$ 500	\$ 410	\$ 333
Total for Transportation	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 500</u>	<u>\$ 410</u>	<u>\$ 333</u>

CNS

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
CNS Group	\$ 1,771	\$ 1,598	\$ -	\$ 2,924	\$ 445
Total for Maintenance	<u>\$ 1,771</u>	<u>\$ 1,598</u>	<u>\$ -</u>	<u>\$ 2,924</u>	<u>\$ 445</u>

MAINTENANCE

<u>Activities</u>	<u>Balance 7-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance 6-30-15</u>
Concessions	\$ 3,304	\$ 936	\$ -	\$ 3,771	\$ 469
Total for Maintenance	<u>\$ 3,304</u>	<u>\$ 936</u>	<u>\$ -</u>	<u>\$ 3,771</u>	<u>\$ 469</u>

SUPPORTING SCHEDULES

MUSKOGEE SCHOOL DISTRICT NO. I-20
 SCHEDULE OF FEDERAL AWARDS EXPENDED
 FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number	Balance at July 1, 2014	Receipts	Expenditures	Balance at June 30, 2015
U.S. Department of Education						
Direct Programs:						
<u>2014-2015 Programs</u>						
Title VII, Indian Education	84.060A	S060A140371	\$ -	\$ 400,838	\$ 400,838	\$ -
Impact Aid	84.041	S041B20154106	-	15,755	15,755	-
Sub-Total			\$ -	\$ 416,593	\$ 416,593	\$ -
Passed-Through State Department of Education:						
<u>2014-2015 Programs</u>						
Title I	84.010	N/A	\$ -	\$ 2,338,300	\$ 2,338,300	\$ -
Title I-Part A Neglected	84.010	N/A	-	30,501	30,501	-
Title I, Part D Delinquent	84.013	N/A	-	27,632	27,632	-
IDEA-B Flow Through	84.027	N/A	-	1,089,944	1,089,944	-
IDEA-B Preschool	84.173	N/A	-	32,130	32,130	-
Title II, Part A Training & Recruiting Fund	84.367	N/A	-	497,421	497,421	-
Title III, Language Acquisition	84.365	N/A	-	22,339	22,339	-
Sub-Total			\$ -	\$ 4,038,267	\$ 4,038,267	\$ -
Passed- Through State Department of Rehabilitation						
<u>2014-2015 Programs</u>						
Job Training - OJT	84.126	N/A	\$ -	\$ 228	\$ 228	\$ -
Sub-Total			\$ -	\$ 228	\$ 228	\$ -
Passed-Through State Department of Career and Technology Education:						
<u>2014-2015 Programs</u>						
Carl Perkins	84.048	N/A	\$ -	\$ 142,533	\$ 142,533	\$ -
Sub-Total			\$ -	\$ 142,533	\$ 142,533	\$ -
Passed-Through State Department of Education:						
Child Nutrition Cluster:						
Non-Cash Assistance (Commodities):						
National School Lunch Program	10.555	N/A	\$ -	\$ 195,160	\$ 195,160	\$ -
Non-Cash Assistance Sub-Total			\$ -	\$ 195,160	\$ 195,160	\$ -
Cash Assistance:						
School Breakfast Program	10.553	N/A	\$ -	\$ 705,696	\$ 651,419	\$ 54,277
National School Lunch Program	10.555	N/A	-	2,187,240	2,164,455	22,785
Fresh Fruit & Vegetables	10.587	N/A	-	88,797	88,797	-
Summer Food Service Program for Children	10.559	N/A	-	52,084	52,084	-
Cash Assistance Sub- Total			\$ -	\$ 3,033,817	\$ 2,956,755	\$ 77,062
Sub-Total for Child Nutrition Cluster			\$ -	\$ 3,228,977	\$ 3,151,915	\$ 77,062

(continued)

See accompanying notes to the Schedule of Federal Awards Expended

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number	Balance at July 1, 2014	Receipts	Expenditures	Balance at June 30, 2015
<u>U.S. Department of Health and Human Services</u>						
Passed-Through Oklahoma Health Care Authority::						
<u>2014-2015 Programs</u>						
Medicaid Assistance Program	93.778	N/A	\$ -	\$ 140,737	\$ 140,737	\$ -
Sub-Total			\$ -	\$ 140,737	\$ 140,737	\$ -
<u>Other Federal Assistance:</u>						
<u>2014-2015 Programs</u>						
Johnson O'Malley	15.130	N/A	\$ -	\$ 65,233	\$ 65,233	\$ -
Flood Control	12.112	N/A	-	8,493	8,493	-
Sub-Total			\$ -	\$ 73,726	\$ 73,726	\$ -
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 8,041,061	\$ 7,963,999	\$ 77,062

* Major program

**MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

MUSKOGEE HIGH SCHOOL

Activities	Balance 7-01-14	Additions	Transfers	Deductions	Balance 6-30-15
Boys Track	12,291	7,280	-	6,345	13,226
NASA	1,631	3,589	-	4,499	721
Soccer - boys	499	3,018	-	2,690	826
Soccer - girls	434	3,018	-	3,345	107
ROTC	576	11,482	-	11,080	978
Science Club	107	1,008	-	936	179
Robotics	3,024	2,159	-	2,265	2,918
Social Studies Club	191	2,326	-	1,380	1,137
Softball	1,616	1,325	-	1,085	1,856
Speech	1,839	5,652	-	5,240	2,251
Student Council	4,406	5,090	-	4,942	4,554
Technology Education	9,331	2,620	-	4,658	7,293
Textbook Recovery	-	1,158	-	25	1,133
Engineering Projects	-	195	-	159	37
Teens For Christ	380	-	-	-	380
VICA	2,923	-	-	339	2,584
Total Muskogee High School	\$ 175,015	\$ 281,573	\$ 1,691	\$ 286,890	\$ 171,390

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. The District conforms with accounting principles generally accepted in the United States of America. Federal and state financial assistance generally is accounted for in the General, Building Fund, and Child Nutrition Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its' measurement focus. The Governmental Fund types are accounted for using a current financial resources and the modified basis of accounting measurement focus. All federal grant funds were accounted for in the General and Child Nutrition Funds.

The Modified Accrual Basis of Accounting is used for the Governmental Fund types and revenues are recognized as soon as they are both measurable and available. Expenditures are recorded when a liability is incurred.

3. The District received donated foods through the Federal Food Distribution Program (10.555). At June 30, 2015, the school maintained an immaterial amount of food commodities inventory. The commodities received and used were \$195,160 which have been recognized as revenue and expenditures in the school's financial Statements.
4. Reconciliation of the Revenue shown on the *Schedule of Expenditures of Federal Awards* to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

	Revenue
Schedule of Expenditures of Federal Awards	\$ 8,041,061
Total per Schedule of Expenditures of Federal Awards	<u>8,041,061</u>
Reconciled Balance	<u>\$ 8,041,061</u>
Federal Program Revenues:	
General Fund	\$ 4,856,235
Child Nutrition	3,228,977
Sub-Total	<u>8,085,212</u>
Less: ROTC (not considered Federal Programs)	<u>(44,151)</u>
Total per Federal Statement of Revenue, Expenditures, And Changes in Fund Balance	<u>\$ 8,041,061</u>

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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

The Honorable Board of Education
Muskogee School District No. I-20
Muskogee County, Oklahoma

I 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muskogee School District No. I-20, Muskogee 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 my report thereon February 1, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. I noted certain immaterial instances of noncompliance that I have reported to management of Muskogee Public School District in a separate letter February 1, 2016.

Purpose of this Report

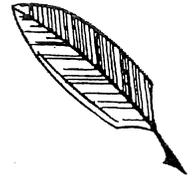
This report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with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



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 1, 2016

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

The Honorable Board of Education
Muskogee School District No. I-20
Muskogee County, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of Muskogee School District No. I-20, Muskogee County, Oklahoma (District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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

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

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

Opinion on Each Major Federal Program

In my opinion, Muskogee School District, No. I-20, Muskogee County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

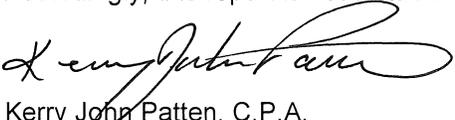
Report on Internal Control Over Compliance

Management of Muskogee School District No. 1-20, Muskogee County, Oklahoma (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 my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine 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 effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 1, 2016

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the government-wide financial statements of Muskogee School District.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Muskogee School District which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A.
5. The auditor's report on compliance for the major federal award programs for Muskogee School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with OMB Circular A-133 relative to major federal award programs for Muskogee School District.
7. The programs tested as major programs included: Title II, Part A (84.367), and Title I (84.010).
8. A threshold for distinguishing Types A and B programs was \$300,000.00.
9. Muskogee School District was determined to be a low-risk auditee for purposes of determining overall percentage of Federal compliance testing.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
FOR YEAR ENDED JUNE 30, 2015**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The school district had no prior year audit findings relative to federal award programs.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
FOR YEAR ENDED JUNE 30, 2015**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Muskogee School District had not complied with significant compliance rules and regulations of the Oklahoma State Department of Education.

Previous Year's Audit Comments

There were no items in the school's 2013-14 audit report which required correction.

I would like to express my appreciation for the courtesies and cooperation extended to us by District administrators and employees during the course of this audit.

STATISTICAL SECTION

**MUSKOGEE SCHOOL DISTRICT NO. I-20
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Instructional</u>	<u>Non- Instructional</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2015	\$ 25,616,120	\$ 22,993,807	\$ 5,207,620	\$ 3,375,503	\$ 57,193,050
2014	\$ 26,292,737	\$ 22,553,328	\$ 4,883,360	\$ 4,219,639	\$ 57,949,064
2013	\$ 25,609,526	\$ 22,352,530	\$ 4,864,132	\$ 7,270,717	\$ 60,096,905
2012	\$ 26,798,511	\$ 26,142,842	\$ 5,099,620	\$ 939,193	\$ 58,980,166
2011	\$ 26,764,418	\$ 22,502,695	\$ 4,435,200	\$ 1,040,940	\$ 54,743,253
2010	\$ 27,014,868	\$ 21,711,146	\$ 4,322,035	\$ 3,350,891	\$ 56,398,940
2009	\$ 27,956,926	\$ 22,396,781	\$ 8,977,380	\$ 2,147,284	\$ 61,478,371
2008	\$ 28,489,135	\$ 18,505,632	\$ 3,213,240	\$ 3,395,595	\$ 53,603,602
2007	\$ 25,242,205	\$ 19,085,102	\$ 3,991,085	\$ 2,259,841	\$ 50,578,234
2006	\$ 23,304,272	\$ 19,581,350	\$ 4,882,532	\$ 729,357	\$ 48,497,511

(1) Includes General, Special Revenue, Capital Projects and Debt Service Funds

**MUSKOGEE SCHOOL DISTRICT NO. I-20
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**

Last Ten Fiscal Years

Fiscal Year	Local	Intermediate	State	Federal	Total
2015	\$ 18,617,340	\$ 1,064,983	\$ 26,203,601	\$ 8,085,212	\$ 53,971,136
2014	\$ 16,363,302	\$ 1,048,183	\$ 26,163,738	\$ 7,529,542	\$ 51,104,765
2013	\$ 18,344,802	\$ 1,035,906	\$ 25,382,488	\$ 7,893,462	\$ 52,656,658
2012	\$ 17,209,755	\$ 1,028,510	\$ 25,937,190	\$ 8,267,283	\$ 52,442,738
2011	\$ 16,981,094	\$ 1,013,684	\$ 24,837,494	\$ 11,547,310	\$ 54,379,582
2010	\$ 16,848,847	\$ 978,441	\$ 25,671,008	\$ 11,604,660	\$ 55,102,956
2009	\$ 14,943,505	\$ 931,555	\$ 27,965,916	\$ 8,929,858	\$ 52,770,834
2008	\$ 14,570,479	\$ 961,507	\$ 27,178,586	\$ 7,815,747	\$ 50,526,319
2007	\$ 18,765,319	\$ 912,196	\$ 25,405,836	\$ 7,655,909	\$ 52,739,260
2006	\$ 13,197,269	\$ 884,826	\$ 23,469,379	\$ 7,377,121	\$ 44,928,595

(1) Includes General, Special Revenue, Capital Projects and Debt Service Funds

**MUSKOGEE SCHOOL DISTRICT NO. I-20
PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collected	Percent of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	Outstanding Delinquent Taxes	Ration of Total Tax Collection to Levy
2015	\$ 15,851,284	\$ 14,977,647	94.49%	\$ 1,316,243	\$ 16,293,890	\$ 143,006	102.79%
2014	\$ 14,726,384	\$ 13,697,563	93.01%	\$ 509,969	\$ 14,207,532	\$ 585,612	96.48%
2013	\$ 14,929,202	\$ 14,556,520	97.50%	\$ 802,076	\$ 15,358,596	\$ 66,760	102.88%
2012	\$ 15,087,229	\$ 14,009,255	92.86%	\$ 779,976	\$ 14,789,231	\$ 496,154	98.02%
2011	\$ 15,044,544	\$ 14,555,061	96.75%	\$ 500,305	\$ 15,055,366	\$ 198,156	100.07%
2010	\$ 14,110,589	\$ 13,504,630	95.71%	\$ 1,123,371	\$ 14,628,001	\$ 208,979	103.67%
2009	\$ 13,497,353	\$ 13,356,104	98.95%	\$ 276,380	\$ 13,632,484	\$ 726,391	101.00%
2008	\$ 12,989,888	\$ 12,895,683	99.27%	\$ 332,697	\$ 13,228,380	\$ 860,522	101.84%
2007	\$ 12,122,695	\$ 11,492,680	94.80%	\$ 322,872	\$ 11,815,553	\$ 1,086,729	97.47%
2006	\$ 11,683,643	\$ 11,055,810	94.63%	\$ 704,731	\$ 11,760,541	\$ 779,587	100.66%

Source: Muskogee County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

Fiscal Year	Muskogee School District	City of Muskogee	Muskogee County	Indian Capital Vo-Tech	Total
2015	59.49	0.90	23.80	10.13	94.32
2014	57.37	1.05	23.84	10.13	92.39
2013	59.17	0.96	24.18	10.13	94.44
2012	59.57	0.91	24.24	10.13	94.85
2011	59.57	0.91	24.24	10.13	94.85
2010	58.48	0.79	24.01	10.13	93.41
2009	58.07	1.19	23.03	10.13	92.42
2008	57.51	1.40	23.90	10.13	92.94
2007	62.85	1.91	19.86	10.13	94.75
2006	61.80	1.65	19.75	10.13	93.33

A = Inside City of Muskogee City Limits

B = Rural

C = 40 acre tract included in City Limits not subject to City levies

G = Gooseneck Bend Fire Department

Expressed in Mills

Source: County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY**

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Public Service Property		Exemptions	Total		Ratio of Net Assessed Value to Total Estimated Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Net Assessed Value	Estimated Actual Value	
2015	\$ 174,459,325	\$ 1,585,993,864	\$ 77,178,605	\$ 643,155,042	\$ 18,742,123	\$ 82,022,420	\$ 10,536,987	\$ 259,843,066	\$ 2,311,171,325	11.24%
2014	\$ 170,406,755	\$ 1,549,152,318	\$ 78,448,770	\$ 653,739,750	\$ 18,405,552	\$ 80,549,462	\$ 10,557,526	\$ 256,703,551	\$ 2,283,441,530	11.24%
2013	\$ 166,581,055	\$ 1,514,373,227	\$ 74,450,625	\$ 620,421,875	\$ 19,637,016	\$ 85,938,801	\$ 10,358,493	\$ 250,310,203	\$ 2,220,733,903	11.27%
2012	\$ 166,800,865	\$ 1,516,371,500	\$ 76,550,525	\$ 637,921,042	\$ 20,349,135	\$ 89,055,295	\$ 10,445,432	\$ 253,255,093	\$ 2,243,347,837	11.29%
2011	\$ 166,800,865	\$ 1,516,371,500	\$ 76,550,525	\$ 637,921,042	\$ 20,349,135	\$ 89,055,295	\$ 10,445,432	\$ 253,255,093	\$ 2,243,347,837	11.29%
2010	\$ 166,465,500	\$ 1,513,322,727	\$ 81,874,325	\$ 682,286,042	\$ 19,291,068	\$ 84,424,805	\$ 10,371,258	\$ 257,259,635	\$ 2,280,033,574	11.28%
2009	\$ 159,676,690	\$ 1,451,606,273	\$ 79,300,750	\$ 660,839,583	\$ 18,695,700	\$ 81,819,256	\$ 10,364,760	\$ 247,308,380	\$ 2,194,265,112	11.27%
2008	\$ 143,757,345	\$ 1,306,884,955	\$ 83,698,975	\$ 697,491,458	\$ 17,482,330	\$ 76,509,103	\$ 10,242,900	\$ 234,695,750	\$ 2,080,885,516	11.28%
2007	\$ 145,489,810	\$ 1,322,634,636	\$ 66,620,515	\$ 555,170,958	\$ 18,843,159	\$ 82,464,591	\$ 10,037,022	\$ 220,916,462	\$ 1,960,270,186	11.27%
2006	\$ 129,886,420	\$ 1,180,785,636	\$ 59,022,965	\$ 491,858,042	\$ 21,090,661	\$ 92,300,486	\$ 7,720,901	\$ 202,279,145	\$ 1,764,944,164	11.46%

Source: Muskogee County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
PRINCIPAL TAXPAYERS**

June 30, 2015

<u>Taxpayer</u>	<u>Product</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Net Assessed Value</u>
Georgia-Pacific	Paper Products	\$29,164,810	1	11.22%
Muskogee Regional Medical Center	Hospital	\$17,813,775	2	6.86%
Oklahoma Gas & Electric	Electric Utility	\$10,232,459	3	3.94%
Vallourec Star	Oilfield Products	\$ 4,346,600	4	1.67%
Owens Brockway Glass	Glass Containers	\$ 3,609,910	5	1.39%
Union Pacific Railroad	Railroad	\$ 2,163,713	6	0.83%
Reliance Steel & Aluminum Co	Metal	\$ 2,106,980	7	0.81%
Oklahoma Natural Gas	Gas Utility	\$ 1,843,385	8	0.71%
Arrowhead Mall	Retail Mall	\$ 1,822,910	9	0.70%
Muskogee DOJ LLC	Gov't Offices	\$ 1,165,280	10	0.45%

Source: Muskogee County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
LEGAL DEBT**

June 30, 2015

2014-15 Assessed Value		<u><u>\$259,843,066</u></u>
Legal debt margin:		
Debt Limitation - 10 percent of assessed value		\$ 25,984,307
Debt applicable to limitation:		
Outstanding general obligation bonded indebtedness	\$ 11,750,000	
Current Sinking Fund	<u>\$ 608,064</u>	
Total debt applicable to limitation		<u>\$ 11,141,936</u>
		<u><u>\$ 14,842,371</u></u>

Source: District Estimate of Needs

**MUSKOGEE SCHOOL DISTRICT NO. I-20
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Debt Service</u>	<u>Total General Government Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2015	\$ 5,207,620	\$ 57,193,050	9.11%
2014	\$ 4,883,360	\$ 57,949,064	8.43%
2013	\$ 4,864,133	\$ 60,096,905	8.09%
2012	\$ 5,099,620	\$ 58,980,166	8.65%
2011	\$ 4,435,200	\$ 54,743,253	8.10%
2010	\$ 4,322,035	\$ 56,398,940	7.66%
2009	\$ 4,863,700	\$ 61,478,371	7.91%
2008	\$ 3,213,240	\$ 53,603,602	5.99%
2007	\$ 3,991,085	\$ 50,578,234	7.89%
2006	\$ 4,882,533	\$ 48,497,511	10.07%

**MUSKOGEE SCHOOL DISTRICT NO. I-20
RATIO OF NET GENERAL OBLIGATION BONDED DEBT**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Net AV Less Debt Service Fund</u>
2015	\$ 259,843,066	\$ 11,750,000	\$ 608,064	\$ 11,141,936	4.29%
2014	\$ 256,703,551	\$ 13,190,000	\$ 379,862	\$ 12,810,138	4.99%
2013	\$ 252,310,328	\$ 13,725,000	\$ 936,626	\$ 12,788,374	5.07%
2012	\$ 253,255,093	\$ 10,740,000	\$ 728,209	\$ 10,011,791	3.95%
2011	\$ 257,259,635	\$ 10,780,000	\$ 894,843	\$ 9,885,157	3.84%
2010	\$ 247,308,380	\$ 12,027,890	\$ 733,540	\$ 11,294,350	4.57%
2009	\$ 234,695,750	\$ 9,022,890	\$ 1,592,094	\$ 7,430,796	3.17%
2008	\$ 211,417,771	\$ 9,702,890	\$ 611,957	\$ 9,090,933	4.30%
2007	\$ 202,279,145	\$ 7,825,000	\$ 1,050,161	\$ 6,774,839	3.35%
2006	\$ 198,265,965	\$ 10,655,000	\$ 2,341,585	\$ 8,313,415	4.19%

Source: Muskogee County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS**

June 30, 2015

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
As it applies to a resident of the City of Muskogee:			
Direct:			
Muskogee Public Schools	\$ 11,750,000 (1)	100.00%	\$ 11,750,000

(1) Excluding amount available for repayment in the debt service fund.

Source: District Estimate of Needs

MUSKOGEE SCHOOL DISTRICT NO. I-20

SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Instruction & Instruction-related Services</u>	<u>Support Services - Student & Staff</u>	<u>Instructional & School Leadership</u>	<u>Admin Support Services</u>	<u>Operation of non-instructional Services</u>	<u>Operation & Maint of Plant Services</u>	<u>Student transportation services</u>	<u>Total Gov't Employees</u>
2015	426	73	36	23	73	53	45	729
2014	425	74	36	25	105	75	52	792
2013	456	71	35	25	104	71	57	819
2012	443	71	35	33	109	75	72	838
2011	429	136	34	18	104	63	60	844
2010	429	97	32	20	108	79	57	822
2009	429	84	36	21	99	80	58	807
2008	423	99	36	24	94	69	56	801
2007	423	93	36	19	87	51	52	761
2006	427	95	36	15	89	54	43	759

Source: District records.

Muskogee School District No. I-20
List of School Buildings: Square Footage, Capacity, Age

June 30, 2015

Site	Physical Address	Total Square Footage	Average Daily Membership	Capacity*	Capacity Utilized	Acquisition/ Construction Date	Depreciation Effective Date
Elementary:							
Cherokee	2400 Estelle St.	60,736	244	400	61.00%	1968	1968
Creek	200 S. Country Club Rd.	52,499	341	500	68.20%	1987	1987
Ben Franklin Science Academy	300 Virgil Matthews Drive	124,882	510	860	59.30%	1980	1980
Early Childhood Center	901 Emporia	41,182	329	400	82.25%	1962	1962
Grant Foreman	800 Bacone St.	67,480	308	465	66.24%	1959	1959
Harris Jobe	2809 N. Country Club Rd.	29,234	193	250	77.20%	1959	1959
Irving	1100 N. J. St.	49,474	380	415	91.57%	1962	1962
Pershing	301 N. 54th	52,499	362	500	72.40%	1987	1987
Samuel Sadler Arts Academy	800 Altamont	65,550	364	400	91.00%	1951	1951
Tony Goetz	2412 Haskell Blvd.	47,880	423	435	97.24%	1960	1960
Whittier	1705 Cincinnati St.	51,974	286	415	68.92%	1911	2005
Secondary:							
A/R Junior High School	402 N. S St.	139,104	649	750	86.53%	1939	1987
Muskogee High School	3200 East Shawnee	286,515	1387	2000	69.35%	1967	2008
Rougher Alternative Academy	600 Altamont	31,736	74	180	41.11%	1967	2005
Support:							
Transportation	621 Altamont	12,828				1957	1957
Child Nutrition Center/Warehouse	1700 Beacon Street	18,528				1978	2005
B.E.S.T. Center / P.D.C.	202 W. Broadway	30,780				1920	1985
Maintenance	1700 Beacon Street	16,120				1978	2005
Camp Bennett	4010 Buffalo Drive	1,600				2006	2006
Athletic Facility	402 N. S St.	18,250				2003	2003
Stadium	402 N. S St.	47,914				1939	2005
Totals		1,246,765					

Grounds:

198 Acres

* Capacity based on MPS management planned use of the building.

Source: Maintenance Department

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MISCELLANEOUS STATISTICS**

June 30, 2015

Founding Date:

Muskogee Public Schools was founded in 1907.

Form of Government:

Superintendent and locally elected Board of Education - (five members)

Personnel:

Instruction	426
Support	244
Administrative	59
	<hr/> <u>729</u> <hr/>

Approximately 38 percent of all instructional and administrative personnel have a master's degree or higher.

Source: Muskogee High School

**Muskogee School District No. I-20
High School Graduates
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>Muskogee High school Graduates</u>
2015	285
2014	324
2013	277
2012	299
2011	307
2010	305
2009	305
2008	323
2007	289
2006	325
2005	354

Source: District records.

**Muskogee School District No. I-20
School Food Service Program
Last Ten Fiscal Years**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of operating cafeterias	14	14	14	14	14	14	14	14	14	14
Number of schools participating in Federal lunch program	14	14	14	14	14	14	14	14	14	14
Student Lunches served:										
Free Lunches	521,620	547,109	589,172	608,554	580,998	609,291	608,092	574,362	569,476	547,995
Reduced Priced Lunches	34,282	55,378	61,307	66,500	71,001	70,889	70,438	78,761	80,660	87,544
Paid lunches	182,513	91,626	122,912	133,843	145,026	149,113	200,025	190,244	178,688	180,893
Total student lunches served	<u>738,415</u>	<u>694,113</u>	<u>773,391</u>	<u>808,897</u>	<u>797,025</u>	<u>829,293</u>	<u>878,555</u>	<u>843,367</u>	<u>828,824</u>	<u>816,432</u>
Adult Lunches served	6,097	7,127	8,430	9,751	12,017	12,638	12,861	19,492	18,805	18,908
Ala Carte lunches										
Student daily equivalent meals	18,535	73,494	53,577	56,048	64,954	*	*	*	*	*
Adult daily equivalent meals	1,162	3,256	3,001	3,331	4,690	*	*	*	*	*
Daily average lunches served (including ala carte lunches):**										
Student	4,301	4,681	4,780	5,000	5,321	4,794	5,078	4,875	4,791	4,719
Adult	41	63	66	76	103	*	*	*	*	*
Average Daily Membership (ADM)	6,043	6,120	6,253	6,216	6,288	6,380	6,332	6,357	6,261	6,110
Percent of student lunches served to ADM	71%	76%	76%	80%	85%	75%	80%	77%	77%	77%

* Information not available

** Years 2004-2010 does not include ala carte - info not available)

Source: District records.

Muskogee School District No. I-20
Schedule of the School's Proportionate Share of the Net Pension Liability (Unaudited)
Oklahoma Teacher's Retirement System (OTRS)

Last 10 Fiscal Years*

School's proportion of the net pension liability	0.7%
School's proportionate share of the net pension liability	\$39,476,057
School's covered-employee payroll	\$28,640,399
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.8%
Plan fiduciary net position as a percentage of the total Pension liability	72.4%

Notes to Schedule:

*Only the current fiscal year is presented because 10-year data is not yet available.

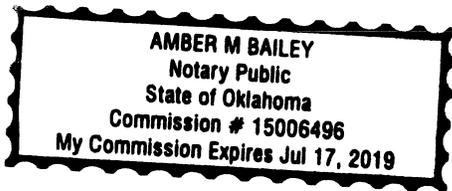
MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR YEAR ENDED JUNE 30, 2015

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Muskogee School District for the audit year 2013-2014.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY *Kerry John Patten*
AUTHORIZED AGENT



Subscribed and sworn to before me on this
2nd day of February, 2016

Amber M Bailey
NOTARY PUBLIC

My commission expires on:
17th day of July, 2019