

NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. 1
MCCLAIN COUNTY, OKLAHOMA
JUNE 30, 2014

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**NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. I-1, MCCLAIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014**

BOARD OF EDUCATION

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Vice President	James Albertson
Clerk	Randy Corbin
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SUPERINTENDENT OF SCHOOLS

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SCHOOL DISTRICT TREASURER

Jimmie Holman



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Newcastle Independent School District #1
McClain County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Newcastle Independent School District #1**, McClain County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the district's regulatory 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 the financial reporting provisions of the Oklahoma State Department of Education. 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Newcastle Independent School District #1**, McClain County, Oklahoma, as of June 30, 2014, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Newcastle Independent School District, #1**, McClain County, Oklahoma as of June 30, 2014, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Newcastle Independent School District #1, McClain County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining financial statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, on our consideration of the **Newcastle Independent School District, #1, McClain County, Oklahoma's** internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Newcastle Independent School District, #1, McClain County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma

January 7, 2015

COMBINED FINANCIAL STATEMENTS

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2014

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2014
ASSETS							
Cash and Cash Equivalents	\$ 1,633,930	\$ 85,732	\$ 159,918	\$ 96,609	\$ 191,193	\$ 0	\$ 2,167,383
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	159,918	159,918
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	3,545,082	3,545,082
Amounts to be Provided For Compensated Absences	0	0	0	0	0	113,246	113,246
Amounts to be Provided for Capitalized Lease Agreements	0	0	0	0	0	40,825,251	40,825,251
Total Assets	\$ 1,633,930	\$ 85,732	\$ 159,918	\$ 96,609	\$ 191,193	\$ 44,643,497	\$ 46,810,880
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 162,644	\$ 4,366	\$ 0	\$ 2,366	\$ 0	\$ 0	\$ 169,376
Reserve for Encumbrances	684,264	13,431	0	11,640	0	0	709,335
Due to Activity Groups	0	0	0	0	191,193	0	191,193
General Obligation Bonds Payable	0	0	0	0	0	3,705,000	3,705,000
Compensated Absences Payable	0	0	0	0	0	113,246	113,246
Capitalized Lease Obligations Payable	0	0	0	0	0	40,825,251	40,825,251
Total Liabilities	\$ 846,908	\$ 17,796	\$ 0	\$ 14,007	\$ 191,193	\$ 44,643,497	\$ 45,713,401
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 159,918	\$ 0	\$ 0	\$ 0	\$ 159,918
Capital Projects	0	0	0	82,603	0	0	82,603
Building Programs	0	67,936	0	0	0	0	67,936
Child Nutrition Programs	0	0	0	0	0	0	0
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	787,022	0	0	0	0	0	787,022
Total Fund Balances	\$ 787,022	\$ 67,936	\$ 159,918	\$ 82,603	\$ 0	\$ 0	\$ 1,097,479
Total Liabilities and Fund Balances	\$ 1,633,930	\$ 85,732	\$ 159,918	\$ 96,609	\$ 191,193	\$ 44,643,497	\$ 46,810,880

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

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2014

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2014
Revenue Collected:					
Local Sources	\$ 3,199,900	\$ 460,577	\$ 3,529,874	\$ 464,404	\$ 7,654,754
Intermediate Sources	288,810	0	0	0	288,810
State Sources	6,364,810	1	11	0	6,364,822
Federal Sources	1,271,571	0	0	0	1,271,571
Non-Revenue Receipts	1,787	0	50	0	1,837
<i>Total Revenue Collected</i>	<u>\$ 11,126,878</u>	<u>\$ 460,578</u>	<u>\$ 3,529,934</u>	<u>\$ 464,404</u>	<u>\$ 15,581,794</u>
Expenditures Paid:					
Instruction	\$ 6,925,610	\$ 0	\$ 0	\$ 56,041	\$ 6,981,650
Support Services	4,027,645	377,779	0	255,726	4,661,149
Operation of Non-Instructional Services	521,529	0	0	0	521,529
Facilities Acquisition and Construction	56,620	44,111	0	4,257,513	4,358,244
Other Outlays	1,787	0	0	0	1,787
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	3,495,000	0	3,495,000
Interest and Fiscal Agent Fees	0	0	69,900	0	69,900
<i>Total Expenditures Paid</i>	<u>\$ 11,533,191</u>	<u>\$ 421,889</u>	<u>\$ 3,564,900</u>	<u>\$ 4,569,279</u>	<u>\$ 20,089,260</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (406,314)</u>	<u>\$ 38,689</u>	<u>\$ (34,966)</u>	<u>\$ (4,104,875)</u>	<u>\$ (4,507,465)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 1,540</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,540</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 278	\$ 314	\$ 0	\$ 0	\$ 592
Bond Proceeds	0	0	0	3,705,000	3,705,000
Transfers In	342,817	2,000	0	0	344,817
Transfers Out	(2,510)	(66,936)	0	0	(69,447)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 340,584</u>	<u>\$ (64,622)</u>	<u>\$ 0</u>	<u>\$ 3,705,000</u>	<u>\$ 3,980,962</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (64,190)</u>	<u>\$ (25,933)</u>	<u>\$ (34,966)</u>	<u>\$ (399,875)</u>	<u>\$ (524,964)</u>
<i>Fund Balance - Beginning of Year</i>	<u>851,212</u>	<u>93,869</u>	<u>194,884</u>	<u>482,478</u>	<u>1,622,443</u>
<i>Fund Balance - End of Year</i>	<u>\$ 787,022</u>	<u>\$ 67,936</u>	<u>\$ 159,918</u>	<u>\$ 82,603</u>	<u>\$ 1,097,479</u>

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

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2014

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 2,786,197	\$ 3,143,922	\$ 3,199,900	\$ 398,334	\$ 419,509	\$ 460,577	\$ 3,370,016	\$ 3,370,016	\$ 3,529,884
Intermediate Sources	246,500	276,754	288,810	0	0	0	0	0	0
State Sources	5,563,377	6,304,060	6,364,810	0	0	1	0	0	0
Federal Sources	1,102,579	1,733,439	1,271,571	0	0	0	0	0	0
Non-Revenue Receipts	0	0	1,787	0	0	0	0	0	50
<i>Total Revenue Collected</i>	<u>\$ 9,698,653</u>	<u>\$ 11,458,175</u>	<u>\$ 11,126,878</u>	<u>\$ 398,334</u>	<u>\$ 419,509</u>	<u>\$ 460,578</u>	<u>\$ 3,370,016</u>	<u>\$ 3,370,016</u>	<u>\$ 3,529,934</u>
Expenditures Paid:									
Instruction	\$ 10,549,865	\$ 12,309,387	\$ 6,925,610	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	4,027,645	492,203	513,378	377,779	0	0	0
Operation of Non-Instructional Services	0	0	521,529	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	56,620	0	0	44,111	0	0	0
Other Outlays	0	0	1,787	0	0	0	3,564,900	3,564,900	3,564,900
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 10,549,865</u>	<u>\$ 12,309,387</u>	<u>\$ 11,533,191</u>	<u>\$ 492,203</u>	<u>\$ 513,378</u>	<u>\$ 421,889</u>	<u>\$ 3,564,900</u>	<u>\$ 3,564,900</u>	<u>\$ 3,564,900</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (851,212)</u>	<u>\$ (851,212)</u>	<u>\$ (406,314)</u>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ 38,689</u>	<u>\$ (194,884)</u>	<u>\$ (194,884)</u>	<u>\$ (34,966)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,540</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 278	\$ 0	\$ 0	\$ 314	\$ 0	\$ 0	\$ 0
Transfers In	0	0	342,817	0	0	2,000	0	0	0
Transfers Out	0	0	(2,510)	0	0	(66,936)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 340,584</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (64,622)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (851,212)</u>	<u>\$ (851,212)</u>	<u>\$ (64,190)</u>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ (25,933)</u>	<u>\$ (194,884)</u>	<u>\$ (194,884)</u>	<u>\$ (34,966)</u>
<i>Fund Balance - Beginning of Year</i>	<u>851,212</u>	<u>851,212</u>	<u>851,212</u>	<u>93,869</u>	<u>93,869</u>	<u>93,869</u>	<u>194,884</u>	<u>194,884</u>	<u>194,884</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 787,022</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 67,936</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 159,918</u>

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

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Newcastle Public Schools Independent District No.1, McClain County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, Governmental Fund Types, (continued)

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

3. Debt Service Fund - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term 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.

4. Capital Projects Fund - The Capital Projects Fund consists of the District's 2008-2013 Combined Purpose Bond issues. These funds are 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 formal trust agreement, trust funds are used for their accounting and reporting. 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.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

1. Agency Funds - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

Account Groups

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

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – 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 taxes are due prior to January 1. The second half is due prior to April 1.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2014, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group.

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

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

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

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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

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

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

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

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

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

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2014:

		<u>Carrying Value</u>
Deposits		
Demand Deposits	\$	2,175,338
Time Deposits		<u>0</u>
Total Deposits	\$	<u><u>2,175,338</u></u>
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ <u>0</u>
Total Investments		\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	2,167,383
Activity Fund Outstanding Checks		<u>7,955</u>
Total Deposits and Investments	\$	<u><u>2,175,338</u></u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2014, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully uninsured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 2 – Deposit and Investment Risk, (continued)

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
5. Warrants, bonds or judgments of the school district.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.
7. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
8. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies- as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The District did not have any investments in debt securities as of June 30, 2014.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District did not have any investments as of June 30, 2014.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2014, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. 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 and obligations for compensated absences. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 3 - General Long-term Debt (continued)

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2014:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2013	\$ 3,495,000	\$ 44,201,313	\$ 112,541	\$ 47,808,854
Additions	3,705,000	0	705	3,705,705
Retirements	3,495,000	3,376,062	0	6,871,062
Balance, June 30, 2014	<u>\$ 3,705,000</u>	<u>\$ 40,825,251</u>	<u>\$ 113,246</u>	<u>\$ 44,643,497</u>

A brief description of the outstanding general obligation bond issues at June 30, 2014, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2014 Combined Purpose Bonds	0.55%	July 1, 2015	\$ 3,705,000	\$ 3,705,000
Totals			<u>\$ 3,705,000</u>	<u>\$ 3,705,000</u>

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	Principal	Interest	Total
2014 Combined Purpose Bonds			
2014-15	\$ 0	\$ 20,378	\$ 20,378
2015-16	3,705,000	20,377	3,725,377
Sub Total	<u>\$ 3,705,000</u>	<u>\$ 40,755</u>	<u>\$ 3,745,755</u>
Total Bonds	<u>\$ 3,705,000</u>	<u>\$ 40,755</u>	<u>\$ 3,745,755</u>

Interest expense on bonds payable incurred during the current year totaled \$69,900.

The District has entered into lease agreements as lessee for financing the acquisition of lighting upgrade, technology equipment, land and construction of new schools and improvements. These lease agreements qualify as capital leases for accounting purposes since the title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year. The technology equipment and the 2006 improvement leases were paid off during the 2013-14 year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 3 - General Long-term Debt (continued)

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Newcastle Educational Facilities Auth 2010 A & B Lease Purchase	Newcastle Educational Facilities Auth 2010 C & D Lease Purchase	Lighting Upgrade	Total
2015	\$ 345,672	\$ 3,170,828	\$ 14,569	3,531,069
2016	368,541	3,380,609	0	3,749,150
2017	392,871	3,603,779	0	3,996,650
2018	418,660	3,840,340	0	4,259,000
2019	1,200,000	3,336,200	0	4,536,200
2020	475,104	4,358,096	0	4,833,200
2021	505,758	4,639,292	0	5,145,050
2022	513,544	4,710,706	0	5,224,250
2023	545,658	5,005,292	0	5,550,950
Total	\$ 4,765,808	\$ 36,045,142	\$ 14,569	40,825,519
Less: Amount representing interest	0	0	-268	-268
Present Value of Future Minimum Lease Payments	\$ 4,765,808	\$ 36,045,142	\$ 14,301	40,825,251

Also, the District accrues for unused sick leave for eligible employees. Unused sick leave for certified salaries is calculated at various rates up to 120 days depending upon years of service. Any amount in excess of 120 days is paid at \$15 per day upon retirement by the district. Unused sick leave is paid to noncertified employees at various rates up to 120 days depending upon years of service. However, no amounts are paid for days in excess of 120 days upon retirement. The liability for compensated absences at June 30, 2014, is as follows:

Unused Sick Leave Liability-Certified	\$ 99,026
Unused Sick Leave Liability-Support	14,220
Total Compensated Absences	\$ 113,246

Note 4- Teacher Retirement

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 4 – Teacher Retirement, (continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2014. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2014, 2013, and 2012 were \$572,539, \$578,547, and \$511,581 respectively.

The compensation for employees covered by the System for the year ended June 30, 2014 was \$5,916,881; the District's total compensation was \$8,038,761. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.25% of compensation arising from federal grants \$41,391. There were \$322,385 contributions made by employees during the year ended June 30, 2014.

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, 2013, is as follows:

Total pension obligation	\$ 18,973,166,739
Net assets available for benefits, at cost	<u>10,861,057,537</u>
Nonfunded pension benefit obligation	<u>\$ 8,112,109,202</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 5 - Contingencies

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

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable and the amounts are not readily estimable, the District believes the resolution of these matters will not have a material adverse effect on the financial statements and may be settled by the District's insurance carrier. The District intends to vigorously defend itself on the various lawsuits.

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$73,919,799; general liability - \$1,000,000; and educators liability \$1,000,000. 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 a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to 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 year. 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.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education 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.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 8– Surety Bonds

The treasurer/activity fund custodian is bonded by RLI Insurance Company, bond number LSM0479456 for the penal sum of \$250,000 for the term July 1, 2013 to July 1, 2014.

The Superintendent is bonded by RLI Insurance Company, bond number LSM0479455 for the penal sum of \$250,000 for the term February 28, 2014 to February 28, 2015.

The encumbrance clerk/payroll clerk is bonded by RLI Insurance Company, bond number LSM0479451 for the penal sum of \$100,000 for the term February 28, 2014 to February 28, 2015.

The minutes clerk is bonded by RLI Insurance Company, bond number LSM0479452 for the penal sum of \$100,000 for the term February 28, 2014 to February 28, 2015.

Note 9 – Budget Amendments

The General Fund Budget was amended twice during the year by filing supplemental appropriations forms with the county clerk’s office. The supplemental appropriations were filed on April 14, 2014 and May 29, 2014, in the amounts of \$1,059,322 and \$700,200 respectively. This increased the original General Fund Budget from \$10,549,865 to \$12,309,387.

The Building Fund Budget was amended once during the year by filing a supplemental appropriations form with the county clerk’s office. The supplemental appropriation was filed on April 14, 2014 in the amount of \$21,175. This increased the original Building Fund Budget from \$492,203 to \$513,378.

OTHER SUPPLEMENTAL INFORMATION

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2014

<u>ASSETS</u>	<u>Building Fund</u>	<u>Total June 30, 2014</u>
Cash and Cash Equivalents	\$ 85,732	\$ 85,732
Investments	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 85,732</u>	<u>\$ 85,732</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Warrants Payable	\$ 4,366	\$ 4,366
Reserve for Encumbrances	<u>13,431</u>	<u>13,431</u>
<i>Total Liabilities</i>	<u>\$ 17,796</u>	<u>\$ 17,796</u>
Fund Balances:		
Restricted	<u>\$ 67,936</u>	<u>\$ 67,936</u>
<i>Total Fund Balances</i>	<u>\$ 67,936</u>	<u>\$ 67,936</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 85,732</u>	<u>\$ 85,732</u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2014

	Building Fund	Total June 30, 2014
Revenue Collected:		
Local Sources	\$ 460,577	\$ 460,577
Intermediate Sources	0	0
State Sources	1	1
Federal Sources	0	0
Non-Revenue Receipts	0	0
<i>Total Revenue Collected</i>	\$ 460,578	\$ 460,578
Expenditures Paid:		
Instruction	\$ 0	\$ 0
Support Services	377,779	377,779
Operation of Non-Instructional Services	0	0
Facilities Acquisition and Construction	44,111	44,111
Other Outlays	0	0
Other Uses	0	0
Repayments	0	0
Interest Paid and Bank Charges	0	0
<i>Total Expenditures Paid</i>	\$ 421,889	\$ 421,889
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ 38,689	\$ 38,689
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0
Other Financing Sources (Uses):		
Estopped Warrants	\$ 314	\$ 314
Transfers In	2,000	2,000
Transfers Out	(66,936)	(66,936)
<i>Total Other Financing Sources (Uses)</i>	\$ (64,622)	\$ (64,622)
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (25,933)	\$ (25,933)
<i>Fund Balance - Beginning of Year</i>	93,869	93,869
<i>Fund Balance - End of Year</i>	\$ 67,936	\$ 67,936

Newcastle School District No.I-001, McClain County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2014

	Building Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 398,334	\$ 419,509	\$ 460,577	\$ 398,334	\$ 419,509	\$ 460,577
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	1	0	0	1
Federal Sources	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 398,334</u>	<u>\$ 419,509</u>	<u>\$ 460,578</u>	<u>\$ 398,334</u>	<u>\$ 419,509</u>	<u>\$ 460,578</u>
Expenditures Paid:						
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	492,203	513,378	377,779	492,203	513,378	377,779
Operation of Non-Instructional Services	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	44,111	0	0	44,111
Other Outlays	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 492,203</u>	<u>\$ 513,378</u>	<u>\$ 421,889</u>	<u>\$ 492,203</u>	<u>\$ 513,378</u>	<u>\$ 421,889</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ 38,689</u>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ 38,689</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Estopped Warrants	\$ 0	\$ 0	\$ 314	\$ 0	\$ 0	\$ 314
Transfers In	0	0	2,000	0	0	2,000
Transfers Out	0	0	(66,936)	0	0	(66,936)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (64,622)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (64,622)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ (25,933)</u>	<u>\$ (93,869)</u>	<u>\$ (93,869)</u>	<u>\$ (25,933)</u>
<i>Fund Balance - Beginning of Year</i>	<u>93,869</u>	<u>93,869</u>	<u>93,869</u>	<u>93,869</u>	<u>93,869</u>	<u>93,869</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,936</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 67,936</u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2014

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 191,193
Investments	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 191,193</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>191,193</u>
<i>Total Liabilities</i>	<u>\$ 191,193</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 191,193</u></u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2014

ACTIVITIES	Balance			Balance
	July 1, 2013	Additions	Deletions	June 30, 2014
Cafeteria	\$ 0	\$ 265,581	\$ 265,581	\$ 0
Athletics	2,404	149,675	150,821	1,259
Elementary Crafts	1,814	4,918	2,885	3,847
Band	2,053	8,373	6,840	3,586
High School	123	1,629	1,605	147
Class of 2007	0	31	0	31
Elementary Library	5,383	17,050	14,778	7,654
Elementary Music	1,192	10,875	10,382	1,685
Elementary P.E.	2,439	500	497	2,442
Elementary School	2,139	13,630	11,754	4,015
Spanish Club	723	563	524	762
Elementary Tech	2,892	893	537	3,248
Drama Club	1,893	1,379	1,579	1,692
General Fund Refund	0	8,256	8,256	0
HS Cheer	6,388	74,697	74,768	6,316
Class of 2015	1,380	14,216	12,007	3,589
HS Library	2,819	3,854	3,588	3,085
HS Choir	121	7,992	7,864	249
HS Stuco	943	6,655	5,980	1,618
Honor Society	139	906	881	164
Class of 2016	35	0	0	35
Class of 2014	2,772	9,019	11,295	496
Class of 2019 (Scholarship)	1,650	0	292	1,358
Class of 2028	0	600	0	600
Math Club	4,634	3,635	1,935	6,334
MS Library	1,901	6,181	5,978	2,104
Middle School	656	2,098	2,731	22
MS Stuco	8,809	17,861	17,427	9,243
Miscellaneous	1,391	7,321	2,306	6,406
Petty Cash-Elem/MS	0	200	200	0
Petty Cash-H.S./Admin	0	200	200	0
FCS	238	0	0	238
MS Art	1	0	0	1
HS Yearbook	17,883	16,584	8,963	25,504
MS Boat Races	0	1,086	406	680
FCCLA	714	8,073	7,595	1,193
HS Art	6,445	0	50	6,395
Elementary Fundraiser	7,656	18,570	10,765	15,460
Business Professionals	284	1,032	512	804
Pti Crew	576	523	591	508
Creative Writing Club	195	39	32	202
Take the Lead/Make a	0	12,533	12,469	64
Classes of 2013	1,161	0	1,161	0
MS Cheer	5,261	13,659	13,404	5,515
MS Fundraiser	4,698	1,332	2,514	3,516
Sports FR/Booster Club	2,473	21,162	18,326	5,309
Book Club	101	4	0	105
HS GTS	165	985	692	457
Elementary GTS	4	0	0	4
MS GTS	125	0	0	125
ECC Hospitality	0	669	475	194
HS Science Club	4,997	8,372	9,271	4,098
FFA	7,896	55,787	55,624	8,059
Elementary Yearbook	1,706	5,099	2,155	4,650
MS Yearbook	4,165	9,298	10,103	3,360
Scholarship	0	0	0	0
Class of 2027	900	5,466	5,308	1,058
Class of 2026	1,625	5,183	5,209	1,599
Class of 2025	750	5,836	6,477	109
Class of 2024	510	4,496	4,959	47
Class of 2023	198	2,536	2,268	466
Class of 2022	192	1,872	1,998	66
Class of 2021	423	2,242	2,496	169
HS Principle Leadership	11,048	4,511	6,981	8,579
HS Hospitality	74	300	0	374
ECC/FERG	9,722	15,404	11,518	13,608
ECC LIB	3,864	11,659	12,126	3,398
ECC Yearbook	2,499	1,849	2,070	2,278
Booster Clubs Liability	0	589	0	589
Class of 2020	0	423	0	423
Total Activities	\$ 155,244	\$ 875,958	\$ 840,009	\$ 191,193

NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. 1, MCCLAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2013	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2014
U.S. Department of Education						
<u>Direct Programs:</u>						
Physical Education Program Grant (Q215F120105-12A)	84.215F	771	(21,467)	366,887	408,668	(63,248)
Indian Education Title VII	84.060A	561	(40,480)	112,266	104,777	(32,990)
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic (Note 3)	84.010	511	(61,369)	150,726	121,859	(32,501)
IDEA-B Flowthrough	84.027	621	(54,012)	327,389	315,212	(41,835)
IDEA-B Preschool	84.173	641	0	8,187	8,187	0
Special Education Cluster			(54,012)	335,576	323,398	(41,835)
Title II, Part A,	84.367	541	(9,776)	14,014	16,315	(12,077)
Title VI, Part B Rural and Low Income	84.358	587	(3,896)	30,879	47,978	(20,995)
Total U.S. Department of Education			(191,000)	1,010,348	1,022,995	(203,647)
U.S. Department of Agriculture						
<u>Passed Through State Department of Education:</u>						
Breakfast Program	10.553	764	0	40,209	40,209	0
Lunch Program	10.555	763	0	215,913	215,913	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	18,605	18,605	0
Child Nutrition Cluster			0	274,727	274,727	0
Total U.S. Department of Agriculture			0	274,727	274,727	0
U.S. Department of Interior						
<u>Passed through Bureau of Indian Affairs:</u>						
Johnson O'Malley	15.130	563	(4,672)	5,099	3,958	(3,530)
Total U.S. Department of Interior			(4,672)	5,099	3,958	(3,530)
TOTAL FEDERAL ASSISTANCE			(195,672)	1,290,175	1,301,680	(207,177)

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.



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CERTIFIED PUBLIC ACCOUNTANTS

**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
Newcastle Independent School District #1
McClain County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of **Newcastle Independent School District #1**, McClain County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated January 7, 2015. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Newcastle Independent School District #1**, McClain County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2014-1).

Compliance and Other Matters

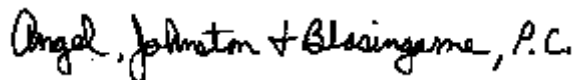
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Newcastle Independent School District #1, Oklahoma's, Response to Findings

Newcastle Independent School District #1, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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



Chickasha, Oklahoma
January 7, 2015



CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education
Newcastle Independent School District #I-1
McClain County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Newcastle Independent School District #I-1**, McClain County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Newcastle Independent School District, I-1** McClain County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **Newcastle Independent School District #I-1**, McClain 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, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Angel, Johnston & Blasinger, P.C.

Chickasha, Oklahoma
January 7, 2015

Newcastle ISD No.1, McClain County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? ___ Yes X No

Significant Deficiencies identified not considered to be material weaknesses? X Yes ___ No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards:

Type of auditor's report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:

Material Weakness(es) identified? ___ Yes X No

Significant Deficiencies identified not considered to be material weaknesses? ___ Yes X No

Audit Findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ___ Yes X No

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee Qualified as low-risk auditee under OMB Circular A-133 Section 20? ___ Yes X No

Identification of Major Programs:

CFDA#

84.215F	Physical Education Program Grant
84.027, 84.173	Special Education Cluster

Newcastle ISD No. 1, McClain County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2014

Findings-Financial Statement Audit

2014-1 - Finding

Statement of Condition – The Chief Operating Officer did not have a contract for the 2013-14 year. He was paid the same as the 2012-13 year contract.

Criteria – Oklahoma State Statutes require employees paid over \$500 have a signed contract or purchase order.

Cause/Effect of Condition – This oversight increases risk that employees could be paid more or less than the board/management intended.

Recommendation – The District should update and properly execute an employment contract each year or identify multiple years the contract will cover.

Findings and Questioned Costs – Major Federal Award Programs Audit

(None Reported)

OTHER INFORMATION

Newcastle ISD No. 1, McClain County
Summary Schedule of Prior Year Audit Findings
For Year Ended June 30, 2014

Financial Statement Findings

2013-1 Finding

Statement of Condition - During activity fund expenditure testing, we noted four of twenty four purchase orders dated after the invoice. Three of these were from the cheer accounts, totaling \$25,555.79 and one was from the elementary PE account for \$3,459. This indicates the goods/services were ordered/received before approval was received.

Criteria – Activity fund purchasing procedures require that all purchases be approved by the activity fund purchasing officer and that the activity custodian check the sub account balance for available funds prior to goods/services being ordered. These steps should be documented with a signed requisition.

Cause/Effect of Condition – There was a lack of implementation and/or compliance with activity fund purchasing procedures. Not following proper purchasing procedures increases risk that goods/services that the board of education has not approved could be ordered and also there is a chance that the sub-accounts may not have the funds needed to cover the purchase.

Recommendation – We recommend that all sponsors obtain an approved requisition or purchase order prior to ordering goods/services.

Current Status – This was corrected during the 2013-14 year.

2013-2 Finding

Statement of Condition - It appears that the 16.5% teacher retirement contribution was not paid for employees who had previously retired from the district and returned back to employment with the district. The estimated underpayment was \$7,605.

Criteria – Teacher retirement requires the district pay in 16.5% on the salary paid to employees who have previously retired from the district, and then come back to work for the district.

Cause/Effect of Condition – Payroll personnel were not aware of this requirement, therefore, teacher retirement was underpaid.

Recommendation - The district should contract teacher retirement to see how to handle this underpayment.

Current Status – This was corrected for the 2013-14 year.

2013-3 Finding

Statement of Condition – Federal matching teacher retirement of 8% was not paid on employee’s salaries coded to the federal project code 771. We also noted the federal match was not paid on a teacher coded to the 621 project code. The total underpayment is approximately \$10,798.

Criteria – Salaries paid and coded to federal projects are required to have an additional 8% contribution to teacher retirement.

Cause/Effect of Condition – Project 771 was a new federal grant, and employees in charge of payroll were not aware that the teacher retirement federal match applied to this grant. The salary for the 621 project code was reclassified to 621 at the end of the year, and therefore the federal match was not calculated and paid in during the year on this teacher.

Recommendation – The District needs to contact teacher retirement to see how to handle this underpayment.

Current Status – This was corrected for the 2013-14 year.

2013-4 Finding

Statement of Condition – The Superintendent was paid \$2,299.50 on 8-7-2012 for consulting work from the May and June of the 2011-12 fiscal year (before he became Superintendent). This was not reserved and paid from the 2011-12 appropriations, so they paid it out of 2012-13 year appropriations which makes it appear he was paid more than his contract amount for the 2012-13 year. However, the Superintendent was paid the correct amount for the 2012-2013 year. The error was paying for May and June consulting payment out of the incorrect year.

Criteria – Payroll expenditures should be paid from the fiscal year appropriations in which they were incurred.

Cause/Effect of Condition – This payment was overlooked at the end of the 2011-12 year due to the transition and new personnel. When they realized in 2012-13 that this had not been paid yet, they paid it out of the 2012-13 year appropriations.

Recommendation – Care should be taken to ensure that expenditures are paid out of the correct fiscal year appropriations.

Current Status – This was corrected for the 2013-14 year.

2013-5 Finding

Statement of Condition – A lease purchase interest/rental payment of \$12,500 was paid out of Bond Fund 36.

Criteria – Lease purchase rental payments should be paid out of the general fund or building fund and cannot be paid from the bond fund.

Cause/Effect of Condition – This payment was made during the transition of personnel. It is not an expenditure that is authorized to be paid from the bond fund.

Recommendation – We recommend that a reimbursement be made from the building fund to the bond fund.

Current Status – This was corrected during the 2013-14 year.

Newcastle ISD No. 1, McClain County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2014

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

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 *Newcastle Independent School District* for the audit year 2013-14.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this ____ day of _____, 2015.

Notary Public

My Commission Expires 7-01-18

SCHOOL'S CORRECTIVE ACTION PLAN



ANGEL,
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BLASINGAME, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

January 7, 2015

Board of Education
Newcastle Independent School District #1
McClain, Oklahoma

We have audited the financial statements of **Newcastle Independent School District #1**, for the year ended June 30, 2014. During the audit certain immaterial matters were noted involving the internal control structure and its operations and these matters are summarized in this letter. These matters, even though less serious than reportable conditions, are opportunities for strengthening internal controls and operating efficiency. The findings included in the letter are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls that may have been identified. The following summarizes our findings and suggestions regarding these matters. This letter does not affect our "Independent Auditors Report or our Report on Internal Control Over Financial Matters" dated January 7, 2015, on the financial statements of **Newcastle Independent School District #1**.

2014-1 Recommendation for Improvement

Statement of Condition – The board minutes do not include purchase order numbers or warrant numbers approved. The Board does receive an encumbrance register but they do not initial the copy attached to the Board Minutes to verify those were the ones approved.

Criteria – State law requires the board approve all encumbrances. A good system of internal control clearly identifies approved purchases (encumbrances) in the board minutes.

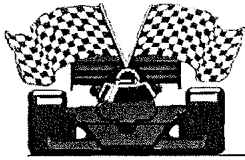
Cause/Effect of Condition – No verification of the encumbrances approved increases the risk that an encumbrance register other than the one approved could be included with the board minutes.

Recommendation – The District should clearly identify the encumbrances approved within the text of the board minutes or have the board initial the encumbrance register to verify approval.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with management, and we will be pleased to discuss them in further detail at your convenience.

We would like to acknowledge the courtesy and assistance extended to us by the employees of the District during the course of our audit.

Angel, Johnston & Blasingame, P.C.



Newcastle Public Schools

Tony O'Brien, Superintendent
tobrien@newcastle.k12.ok.us

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Newcastle Public School District- I-001
McClain Country #47

Audit Findings
Corrective Action Plan

2013-2014 Audit Year

Audit Finding Reference Number: 2014-1

Description of Finding: The Chief Operating Officer did not have a contract for the 2013-14 year. He was paid the same as the 2012-13 year contract.

Contact Person: Tony O'Brien

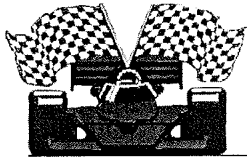
Steps Implemented: Newcastle Public Schools currently has in policy (#DA General Personnel Policies) that every employee is to have a signed contract for the current year of employment which states the position of employment and the term of the contract. This was simply an oversight and has already been remedied for the current year as of the December 8, 2014 Board of Education meeting where contract revisions were approved for the superintendent and the chief operating officer.

Completion Date: December 8, 2015

Signed:

A handwritten signature in black ink that reads "Tony O'Brien". The signature is written in a cursive style.

Superintendent



Newcastle Public Schools

Tony O'Brien, Superintendent
tobrien@newcastle.k12.ok.us

101 North Main
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www.newcastle.k12.ok.us

January 7, 2015

Audit Recommendations Action Plan

2013-2014 Audit Year

Management Letter Recommendation Number: 2014-1

Description of Recommendation: The board minutes do not include purchase order numbers or warrant numbers approved. The Board does receive an encumbrance register but they do not initial the copy attached to the Board Minutes to verify those were the ones approved.

Contact Person: Tony O'Brien

Steps Implemented: Newcastle Public Schools Board President or designee will initial or sign on each page of the board packet attached encumbrance registers for all funds.

Completion Date: This will begin on January 12, 2015 and continue for each meeting held in the future where encumbrances are being approved.

Signed:

A handwritten signature in black ink, appearing to read "Tony O'Brien", is written over a light blue horizontal line.

Superintendent