FINANCIAL STATEMENTS - REGULATORY BASIS AND REPORTS OF INDEPENDENT AUDITOR

STIGLER SCHOOL DISTRICT NO. I-20, HASKELL COUNTY, OKLAHOMA

JUNE 30, 2014

Audited by

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

INDEPENDENT SCHOOL DISTRICT NO. I-20
HASKELL COUNTY, OKLAHOMA
JUNE 30, 2014

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HASKELL COUNTY, OKLAHOMA
JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. I-20
HASKELL COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD OF EDUCATION

President	Susan White
Vice-President	David Huggins
Clerk	Kenneth Whitson
Member	John Turrentine
Member	Jennifer Turner

SUPERINTENDENT OF SCHOOLS

Clayton Edwards

MINUTES CLERK

Janette Lamb

SCHOOL DISTRICT TREASURER

Judy K. Stamper

Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Stigler School District No. I-20
Stigler, Oklahoma 74006-6029

Report on the Financial Statements
I have audited the accompanying basic financial statements-regulatory basis of the governmental activities, each major fund and the aggregate remaining fund information of Stigler School District No. I-20, Stigler, Oklahoma (the "District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1, the financial statements are prepared by the Stigler School District No. I-20, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because the significance of the matter discussed in the previous paragraph, the basic financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining

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fund information of the Stigler School District No. I-20, Haskell County, Oklahoma as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended.

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

Qualified Opinion on Regulatory Basis of Accounting
In my opinion, except for the effects of the matter described in the preceding paragraph, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-regulatory basis of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position-regulatory basis for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, I have also issued a report dated January 5, 2015, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

January 5, 2015

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (Memorandum Only)	
ASSETS	GENERAL	SPECIAL REVENUE	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	2014	2013
Cash	$ 2,675,225	786,694	200,424		3,662,343	3,852,174
Investments			22,174		22,174	18,522
Amounts to be provided for retirement of general long-term debt				103,074	103,074	121,746
Total Assets	2,675,225	786,694	222,598	103,074	3,787,591	3,992,442
LIABILITIES AND FUND EQUITY						
Liabilities						
Warrants payable	471,341	51,241			522,582	780,490
Encumbrances					-	56,837
Funds held for school organizations			200,111		200,111	164,661
Long-term debt:						
Capital leases				103,074	103,074	121,746
Total liabilities	471,341	51,241	200,111	103,074	825,767	1,123,734
Fund Equity						
Cash fund balances	2,203,884	735,453	22,487		2,961,824	2,868,708
Total Liabilities and Fund Equity	$ 2,675,225	786,694	222,598	103,074	3,787,591	3,992,442

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	GIFTS AND ENDOWMENTS	2014	2013
Revenues					
Local sources	$ 1,235,048	253,070	5,229	1,493,347	1,302,317
Intermediate sources	141,619			141,619	144,266
State sources	6,448,633	119,638		6,568,271	6,642,021
Federal sources	642,728	1,000,524		1,643,252	1,886,405
Non-revenue receipts	1,444	46,792		48,236	1,884
Total revenues	8,469,472	1,420,024	5,229	9,894,725	9,976,893
Expenditures					
Instruction	5,557,219	345,236		5,902,455	6,134,966
Support services	2,835,603	407,937		3,243,540	3,248,571
Operation of non-instructional services	53,046	468,796		521,842	516,057
Facilities, acq. and const. services		22,714		22,714	51,693
Other outlays	62,516	46,792		109,308	68,568
Other uses			1,750	1,750	2,250
Total expenditures	8,508,384	1,291,475	1,750	9,801,609	10,022,105
Revenues over (under) expenditures	(38,912)	128,549	3,479	93,116	(45,212)
Other financing sources (uses)					
Estopped warrants				-	7,738
Bank fees				-	(116)
Total other financing sources (uses)				-	7,622
Revenue and other sources over (under) expenditures and other uses	(38,912)	128,549	3,479	93,116	(37,590)
Cash fund balance, beginning of year	2,242,796	606,904	19,008	2,868,708	2,906,298
Cash fund balance, end of year	$ 2,203,884	735,453	22,487	2,961,824	2,868,708

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2014

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 906,916	906,916	1,235,048
Intermediate sources	131,968	131,968	141,619
State sources	6,325,462	6,325,462	6,448,633
Federal sources	710,871	710,871	642,728
Non-revenue receipts			1,444
Total revenues	8,075,217	8,075,217	8,469,472
Expenditures			
Instruction	5,710,587	5,710,587	5,557,219
Support services	3,111,305	3,111,305	2,835,603
Operation of non-instructional services	139,806	139,806	53,046
Facilities, acq. and const. services	5,000	5,000	
Other outlays	83,114	83,114	62,516
Repayments	350	350	
Non-categorical	1,267,851	1,267,851	
Total expenditures	10,318,013	10,318,013	8,508,384
Revenues over (under) expenditures	(2,242,796)	(2,242,796)	(38,912)
Cash fund balance, beginning of year	2,242,796	2,242,796	2,242,796
Cash fund balance, end of year	$ -	-	2,203,884

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 261,522	261,522	253,070
State sources	169,502	169,502	119,638
Federal sources	1,075,511	1,075,511	1,000,524
Non-revenue receipts			46,792
Total revenues	1,506,535	1,506,535	1,420,024
Expenditures			
Instruction	384,595	384,595	345,236
Support services	588,561	588,561	407,937
Operation of non-instructional services	564,415	564,415	468,796
Facilities, acq. and const. services	265,501	265,501	22,714
Other outlays	62,696	62,696	46,792
Non-categorical	247,671	247,671	
Total expenditures	2,113,439	2,113,439	1,291,475
Revenues over (under) expenditures	(606,904)	(606,904)	128,549
Cash fund balance, beginning of year	606,904	606,904	606,904
Cash fund balance, end of year	$ -	-	735,453

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

NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

The basic financial statements of the Stigler Public Schools Independent District No. I-20 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

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

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

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

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

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

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

B. Fund Accounting - contd.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

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

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not maintain this fund during the 2013-14 fiscal year.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District did not maintain this fund during the 2013-14 fiscal year.

Proprietary Fund Types

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

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

B. Fund Accounting - contd.

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

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District maintained a gifts funds in the 2013-14 fiscal year.

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

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

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

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

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

B. *Fund Accounting* - contd.

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

Memorandum Only - Total Column

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

C. Basis of Accounting and Presentation

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

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

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

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

C. Basis of Accounting and Presentation – contd.

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

D. Budgets and Budgetary Accounting

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

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

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

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

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

E. Assets, Liabilities and Fund Equity – contd.

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

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

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

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

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

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

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

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

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

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

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

F. Revenue and Expenditures- contd.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

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

F. Revenue and Expenditures - contd.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

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

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

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

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

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

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately $3,684,517 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

2. **Deposits and Investments** – cont'd

The investments held at June 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market		$ 0	0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		22,174	22,174
Total investments		$ 22,174	22,174

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs ($22,174).

3. **General Long-term Debt**

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

General long-term debt of the District consists of a capital lease. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

The District has entered into two lease agreements as lessee for financing the acquisition of two (2) modular classrooms. The lease agreement qualifies as a capital leases for accounting purposes, since titles transfer at the end of the lease term. The lease contains a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The properties and equipment are collateral for the lease.

3. **General Long-term Debt** – contd

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

	Capital Lease
Balance, July 1, 2013	$ 121,746
Additions	-
Retirements	18,672
Balance, June 30, 2014	$ 103,074

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

	Amount outstanding
Capital Leases	
Lease agreement for one portable building, dated 7-25-12, totaling $61,763, interest rate of 3.32%, first payment due 7-25-13, payable in annual installments of $11,523, final payment due 7-25-18;	$ 52,291
Lease agreement for one portable building, dated 7-25-12, totaling $59,983, interest rate of 3.32%, first payment due 7-25-13, payable in annual installments of $11,191, final payment due 7-25-18;	50,783
Total	$ 103,074

3. **General Long-term Debt** – contd

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

Year ending June 30	Principal	Interest	Totals
2015	$ 19,292	3,422	22,714
2016	19,932	2,782	22,714
2017	20,588	2,126	22,714
2018	21,278	1,436	22,714
2019	21,984	730	22,714
Totals	$ 103,074	10,496	113,570

4. **Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

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

Funding Policy
The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost
The District's portion of the total contributions for 2014, 2013 and 2012 were $601,254, $601,805 and $595,243 respectively.

5. **Contingencies**

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

6. **Risk Management**

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

7. Subsequent Events

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

OTHER SUPPLEMENTARY INFORMATION – REGULATORY BASIS - COMBINING FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2014

ASSETS	BUILDING FUND	COOP FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only) 2014	2013
Cash	$ 544,402	69,321	172,971	786,694	664,488
LIABILITIES AND FUND EQUITY					
Liabilities					
Warrants payable		23,546	27,695	51,241	57,584
Fund Equity					
Cash fund balances	544,402	45,775	145,276	735,453	606,904
Total Liabilities and Fund Equity	$ 544,402	69,321	172,971	786,694	664,488

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2014

	BUILDING FUND	COOP FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only) 2014	2013
Revenues					
Local sources	$ 156,032	36,181	60,857	253,070	282,253
State sources		71,278	48,360	119,638	142,822
Federal sources		637,481	363,043	1,000,524	989,757
Non-revenue receipts		46,792		46,792	-
Total revenues	156,032	791,732	472,260	1,420,024	1,414,832
Expenditures					
Instruction	716	344,520		345,236	370,678
Support services		407,937		407,937	431,982
Operation of non-instructional services			468,796	468,796	457,116
Facilities, acq. and const. services	22,714			22,714	51,693
Other outlays		46,792		46,792	-
Total expenditures	23,430	799,249	468,796	1,291,475	1,311,469
Revenues over (under) expenditures	132,602	(7,517)	3,464	128,549	103,363
Other financing sources (uses)					
Bank fees				-	(116)
Revenue and other sources over (under) expenditures and other uses	132,602	(7,517)	3,464	128,549	103,247
Cash fund balance, beginning of year	411,800	53,292	141,812	606,904	503,657
Cash fund balance, end of year	$ 544,402	45,775	145,276	735,453	606,904

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2014

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues									
Local sources	$ 129,559	129,559	156,032	68,177	68,177	36,181	63,786	63,786	60,857
State sources				116,010	116,010	71,278	53,492	53,492	48,360
Federal sources				726,627	726,627	637,481	348,884	348,884	363,043
Non-revenue receipts						46,792			
Total revenues	129,559	129,559	156,032	910,814	910,814	791,732	466,162	466,162	472,260
Expenditures									
Instruction	8,840	8,840	716	375,755	375,755	344,520			
Support services	108,794	108,794		479,767	479,767	407,937			
Operation of non-inst. services							564,415	564,415	468,796
Facilities, acq. and const. services	265,501	265,501	22,714						
Other outlays	5,000	5,000		57,696	57,696	46,792			
Non-categorical	153,224	153,224		50,888	50,888		43,559	43,559	
Total expenditures	541,359	541,359	23,430	964,106	964,106	799,249	607,974	607,974	468,796
Revenues over (under) expenditures	(411,800)	(411,800)	132,602	(53,292)	(53,292)	(7,517)	(141,812)	(141,812)	3,464
Cash fund balance, beginning of year	411,800	411,800	411,800	53,292	53,292	53,292	141,812	141,812	141,812
Cash fund balance, end of year	$ -	-	544,402	-	-	45,775	-	-	145,276

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2014

	EXPENDABLE TRUST FUND GIFTS AND ENDOWMENTS	AGENCY FUND ACTIVITY FUNDS	TOTALS (Memorandum Only) 2014	2013
ASSETS				
Cash	$ 313	200,111	200,424	165,147
Investments	22,174		22,174	18,522
Total Assets	22,487	200,111	222,598	183,669
LIABILITIES AND FUND EQUITY				
Liabilities				
Funds held for school organizations		200,111	200,111	164,661
Fund equity				
Cash fund balances	22,487		22,487	19,008
Total Liabilities and Fund Equity	$ 22,487	200,111	222,598	183,669

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Activities	Balance July 1, 2013	Additions	Net Transfers	Deletions	Balance June 30, 2014
Athletics	$ 16,186	53,339	4,155	58,241	15,439
Academic Bowl	876	1,321		1,589	608
Annual	12,268	31,019	(55)	32,048	11,184
Athletic Booster Club	8,134	91,525	(4,899)	64,573	30,187
Band	15,101	21,561	451	24,796	12,317
Band Booster Club	8,632	35,161	(226)	27,675	15,892
Football Pop Machine	1,496	830		566	1,760
FFA	5,898	61,413	(167)	57,764	9,380
FCCLA	646	4,044		4,687	3
General Adm. Petty Cash	-	202	99	301	-
General Refund Account	-	12,265	(150)	12,115	-
GS Gifted and Talented	695	-		-	695
GS Machines	9,566	12,922	(21)	15,460	7,007
GS Library	79	5,499	(68)	5,434	76
HS Gym Pop	340	2,011		200	2,151
HS Machines	1,334	17,106		15,710	2,730
HS Pep Club	7,627	11,249		12,244	6,632
Community Park	524	3,500		3,507	517
Interest Earned	13,674	24	975	9,448	5,225
Journalism	2,544	-		-	2,544
Junior Class	3,152	6,964	(67)	5,526	4,523
Lunch Banquet	454	-		-	454
MS Academic Team	151	-		-	151
MS Gifted and Talented	55	-		-	55
MS Library	1,120	3,484		4,087	517
MS Machines	10,644	6,937		7,623	9,958
MS Pep Club	21	858		765	114
MS Student Council	1,787	4,318		4,207	1,898
Miscellaneous Revenue	178	-		-	178
Senior Class	1,413	5,454	(40)	1,554	5,273
Speech	3,205	2,586	40	2,764	3,067
Student Senate	1,261	4,002		4,576	687
Technology Student Association	847	2,388		1,765	1,470
Softball	4,282	3,005	(27)	1,385	5,875
Baseball	1,476	5,739		3,635	3,580
Central Office Machine	$ 193	628		480	341

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Activities	Balance July 1, 2013	Additions	Net Transfers	Deletions	Balance June 30, 2014
Community School/Local	$ 12,027	2,839		1,403	13,463
Vocal Music	504	438		345	597
Adult Basic Education	1,979	-		-	1,979
Grade School PTA	14,292	38,200		30,908	21,584
TOTAL ASSETS - AGENCY FUNDS	164,661	452,831	-	417,381	200,111
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	$ 164,661	452,831	-	417,381	200,111

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2013	Revenue Collected	Total Expenditures	Ending Balance 6/30/2014
U.S. Department of Education							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	S060A130155	$ 92,277		92,277	92,277	
Subtotal			92,277	-	92,277	92,277	-
Passed Through State Department of Education:							
Title I-Part A, Improving Basic Programs	84.010		368,850		326,472	328,038	(1,566)
Title I-Part A, Improving Basic Programs 2012-13 - Note 1	84.010			(1,675)	1,675		
Title II-Part A, Teacher & Principal Training	84.367		51,830		13,796	13,796	
Title II-Part A 2012-13 - Note 1	84.367			(1,190)	1,190		
* Special Education, Flowthrough, P.L. 105-17	84.027		580,361		515,926	537,636	(21,710)
Special Education, Flowthrough 2012-13 - Note 1	84.027			(7,028)	7,028		
* Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		30,077		24,781	24,781	
Title IV-Part B, 21st Century	84.287		123,219		82,648	114,179	(31,531)
Title IV-Part B, 21st Century 2012-13 - Note 1	84.287			(35,742)	35,742		
Title VI-Small, Rural School Ach. Program	84.358		24,759		24,759	24,759	
Adult Basic Education	84.002		17,665			17,182	(17,182)
Adult Basic Education 2012-13 - Note 1	84.002			(23,361)	23,361		
Subtotal			1,196,761	(68,996)	1,057,378	1,060,371	(71,989)
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		12,933		12,933	12,933	
Subtotal			$ 12,933	-	12,933	12,933	-
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				25,820	25,820	
Non-Cash Assistance Subtotal					25,820	25,820	
Cash Assistance:							
National School Lunch Program	10.555				287,585	281,315	6,270
School Breakfast Program	10.553				75,458	72,745	2,713
Cash Assistance Subtotal				-	363,043	354,060	8,983
Total For Program (Cluster)				-	388,863	379,880	8,983

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2013	Revenue Collected	Total Expenditures	Ending Balance 6/30/2014
Other Federal Assistance:							
Johnson O'Malley	15.130		$ 20,865			20,865	(20,865)
Johnson O'Malley 2012-13 - Note 1	15.130			(22,100)	22,100		
Medicaid	93.778		79,407		79,407	79,407	
Public Housing	xx.xxx		5,775		5,775	5,775	
OJT-Rehab Services	84.126		10,194		9,483	10,194	(711)
OJT-Rehab Services 2012-13 - Note 1	84.126			(856)	856		
Subtotal			116,241	(22,956)	117,621	116,241	(21,576)
Total Federal Assistance			$ 1,418,212	(91,952)	1,669,072	1,661,702	(84,582)

* Major federal programs

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

Note 2 - Commodities received by the District in the amount of $25,820 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2014

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Old Republic Surety Company	Treasurer	LPO833716	$100,000	7/1/13-7/1/14
	Payroll/Activity Fund	PEB809013	$100,000	7/1/13-7/1/14
	Superintendent	PEB809013	$100,000	7/1/13-7/1/14
	Encumbrance/Minute Clerk	PEB809013	$20,000	7/1/13-7/1/14
	Activity Fund	PEB809013	$20,000	7/1/13-7/1/14

Jack H. Jenkins, CPA *A Professional Corporation*

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

The Honorable Board of Education
Stigler School District No. I-20
Stigler, Oklahoma 74006-6029

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Stigler School District No. I-20, Stigler, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 5, 2015. This report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one (1) instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings. I also reported this matter to the District's management in a separate letter dated January 5, 2015.

District's Response to Findings

The District's response to the finding identified in my audit is described in the letter following the Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

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

January 5, 2015

Jack H. Jenkins, CPA *A Professional Corporation*

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

The Honorable Board of Education
Stigler School District No. I-20
Stigler, Oklahoma 74462-1869

Report on Compliance for Each Major Federal Program
I have audited the compliance of Stigler School District No. I-20, Stigler, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
In my opinion, Stigler School District No. I-20, Stigler, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control over Compliance

The management of Stigler School District No. I-20, Stigler, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine my auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

January 5, 2015

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2013 TO JUNE 30, 2014

Summary of Auditor's Results

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

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

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

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

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

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

7. The programs tested as major federal programs were: Special Education and Child Nutrition, which were each clustered in the determination.

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2013 TO JUNE 30, 2014

Findings – Financial Statement Audit

14-01 – Extra Duty Pay

Condition: We observed several instances of stipends for gate duty and concession stand work, to employees being paid outside of the payroll system.

Criteria: All amounts paid to employees of the District must be run through payroll to ensure proper tax withholdings and wage reporting to State and Federal agencies.

Effect: Paying stipends outside of the payroll system can cause the employee's wages to be underreported and a failure to pay proper payroll tax withholding payments, which, in turn could lead to future problems with the Internal Revenue Service.

Recommendation: Make all payroll related payments to employees through payroll to ensure proper payroll tax withholding and reporting. Any amounts exceeding $600 for the calendar year may need to be reported on form 1099-Misc.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2013 TO JUNE 30, 2014

There were no material prior year audit findings.

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

State of Oklahoma)
County of Tulsa)

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

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

BY Jack H. Jenkins
AUTHORIZED AGENT

Subscribed and sworn to before me on this
5th day of, January, 2015

Michael Kemper
NOTARY PUBLIC

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

INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2013 TO JUNE 30, 2014

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

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

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

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

_____
Superintendent of Schools

_____
Date of Board Meeting

_____
Board of Education President

_____
Board of Education Clerk

_____
Board of Education Vice President

_____
Board of Education Member

_____
Board of Education Member

Subscribed and sworn to before me on this _____ day of _____, _____.
My commission expires on _____ day of _____, 20____.

_____
Notary Public

Affix Notary Seal

Jack H. Jenkins, CPA *A Professional Corporation*

January 5, 2015

Stigler Public Schools
Attn: Mr. Clayton Edwards
309 N.W. E. Street
Stigler, OK 74462-1869

Dear Mr. Edwards:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. This comment requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

14-01 Extra Duty Pay

I observed during the audit several checks written out of the Activity Fund to District employees for performance of services such as gate duty and running the concession stands and were made outside of payroll, without proper withholdings and wage reporting. The checks observed were:

Check numbers 355, 356, 365-377 all paid $25 each to various employees for gate duty.
Check number 412 paid $4,175.76 to one employee for running the concession stands.

I recommend all compensation to District employees be paid through payroll to ensure proper payroll tax withholding and reporting. Regarding the check for $4,175.76, I recommend the District issue the employee a 1099-Misc for this amount to ensure proper reporting to the Internal Revenue Service.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

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

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INDEPENDENT SCHOOL DISTRICT NO. I-20, HASKELL COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2013 TO JUNE 30, 2014

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Clayton Edwards
Superintendent of Schools

1-12-15
Date of Board Meeting

Susan L White
Board of Education President

Kenneth Williams
Board of Education Clerk

Board of Education Vice President

Board of Education Member

Jennifer Turner
Board of Education Member

Subscribed and sworn to before me on this 12th day of January, 2015.
My commission expires on 19th day of August, 2018.

Janette Lamb
Notary Public

JANETTE C. LAMB NOTARY PUBLIC IN AND FOR STATE OF OKLAHOMA EXPIRES 8-19-2018 COMMISSION # 10006853

Affix Notary Seal

Stigler Public Schools

309 N.W. E Street
Stigler, OK 74462
(918) 967-2805 Fax: (918) 967-4550

January 5, 2015

Jack H. Jenkins, CPA
10026A South Mingo Rd. #309
Tulsa, OK 74133-5700

Dear Mr. Jenkins:

This letter contains Stigler Public Schools response to extra duty pay findings in our FY 14 audit report.

We corrected the procedures followed in the issuance of payment to our employees for gate duty. After the check numbers 355, 356, 365-377 were issued, all further payments to employees for gate duty was made through the payroll. When required a 1099-Misc is being issued to school employees.

Thank you for your assistance concerning this matter.

Sincerely,

Clayton Edwards

Clayton Edwards
Superintendent
Stigler Public Schools