

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

**TAHLEQUAH SCHOOL DISTRICT NO. I-35,
CHEROKEE COUNTY, OKLAHOMA**

JUNE 30, 2014

Audited by

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2014**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2014**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014**

BOARD OF EDUCATION

President	Brian Berry
Vice-President	David Morrison
Member	Sharon Ballew
Member	Shannon Pinson
Member	Carolyn Sheppard

SUPERINTENDENT OF SCHOOLS

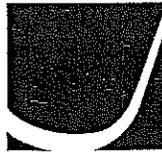
Lisa Presley

MINUTES CLERK

Lonni Wright

SCHOOL DISTRICT TREASURER

Danny Mason



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Tahlequah School District No. I-035
Tahlequah, 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 Tahlequah School District No. I-035, Tahlequah, 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 Tahlequah School District No. I-035, 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

fund information of the Tahlequah School District No. I-035, Cherokee 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 8-10 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 December 9, 2014, 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.

December 9, 2014

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2014

ASSETS	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE			2014	2013
Cash	\$ 8,776,855	2,374,739	2,134,119	217,185		13,502,898	15,288,411
Investments				240,398	108,069	240,398	239,019
Amounts available in debt service						108,069	127,740
Amounts to be provided for retirement of general long-term debt					5,027,393	5,027,393	5,145,682
Total Assets	<u>8,776,855</u>	<u>2,374,739</u>	<u>2,134,119</u>	<u>457,583</u>	<u>5,135,462</u>	<u>18,878,758</u>	<u>20,800,852</u>

LIABILITIES AND FUND EQUITY

Liabilities							
Warrants payable	2,766,255	198,899				2,965,154	2,656,688
Encumbrances	89,349	51,816				141,165	231,375
Funds held for school organizations				457,583		457,583	479,439
Unmatured obligations			2,026,050			2,026,050	1,956,050
Long-term debt:							
Bonds payable					4,025,000	4,025,000	3,910,000
Capital leases					1,110,462	1,110,462	1,363,422
Total liabilities	<u>2,855,604</u>	<u>250,715</u>	<u>2,026,050</u>	<u>457,583</u>	<u>5,135,462</u>	<u>10,725,414</u>	<u>10,596,974</u>
Fund Equity							
Cash fund balances	<u>5,921,251</u>	<u>2,124,024</u>	<u>108,069</u>			<u>8,153,344</u>	<u>10,203,878</u>
Total Liabilities and Fund Equity	<u>\$ 8,776,855</u>	<u>2,374,739</u>	<u>2,134,119</u>	<u>457,583</u>	<u>5,135,462</u>	<u>18,878,758</u>	<u>20,800,852</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2014

	GOVERNMENTAL FUND TYPES			TOTALS		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only) 2014	2013
Revenues						
Local sources	\$ 3,598,105	413,715	2,010,442		6,022,262	6,349,494
Intermediate sources	385,734				385,734	395,170
State sources	17,611,197	120,805	19		17,732,021	17,443,106
Federal sources	4,066,800	339,841			4,406,641	5,259,501
Non-revenue receipts	96,548	207,721	16,968		321,237	218,703
Total revenues	<u>25,758,384</u>	<u>1,082,082</u>	<u>2,027,429</u>	-	<u>28,867,895</u>	<u>29,665,974</u>
Expenditures						
Instruction	14,670,401	169,362			14,839,763	15,494,348
Support services	10,664,415	1,004,583		25,450	11,694,448	10,804,845
Operation of non-instructional services	1,878,598	319,180		1,994,550	1,878,598	2,024,604
Facilities, acquisition and const. services					2,313,730	429,964
Other outlays	209,648				209,648	228,955
Debt service			2,047,100		2,047,100	1,986,550
Total expenditures	<u>27,423,062</u>	<u>1,493,125</u>	<u>2,047,100</u>	<u>2,020,000</u>	<u>32,983,287</u>	<u>30,969,266</u>
Revenues over (under) expenditures	(1,664,678)	(411,043)	(19,671)	(2,020,000)	(4,115,392)	(1,303,292)
Other financing sources (uses)						
Bank fees					-	(540)
Lapsed appropriations	34,357	9,075			43,432	25,633
Estopped warrants	1,426				1,426	674
Bond proceeds				2,020,000	2,020,000	785,000
Total other financing sources (uses)	<u>35,783</u>	<u>9,075</u>		<u>2,020,000</u>	<u>2,064,858</u>	<u>810,767</u>
Revenue and other sources over (under) expenditures and other uses	(1,628,895)	(401,968)	(19,671)	-	(2,050,534)	(492,525)
Cash fund balance, beginning of year	7,550,146	2,525,992	127,740	-	10,203,878	10,696,403
Cash fund balance, end of year	<u>\$ 5,921,251</u>	<u>2,124,024</u>	<u>108,069</u>	<u>-</u>	<u>8,153,344</u>	<u>10,203,878</u>

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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	\$ 3,456,427	3,456,427	3,598,105
Intermediate sources	364,233	364,233	385,734
State sources	17,213,426	17,489,612	17,611,197
Federal sources	3,922,508	4,538,152	4,066,800
Non-revenue receipts			96,548
Total revenues	<u>24,956,594</u>	<u>25,848,424</u>	<u>25,758,384</u>
Expenditures			
Instruction	11,160,000	11,160,000	14,670,401
Support services	9,260,717	9,260,717	10,664,415
Operation of non-instructional services			1,878,598
Other outlays	211,648	211,648	209,648
Non-categorical	11,874,375	12,766,205	
Total expenditures	<u>32,506,740</u>	<u>33,398,570</u>	<u>27,423,062</u>
Revenues over (under) expenditures	(7,550,146)	(7,550,146)	(1,664,678)
Other financing sources (uses)			
Lapsed appropriations			34,357
Estopped warrants			1,426
Total other financing sources (uses)			<u>35,783</u>
Revenue and other sources over (under) expenditures and other uses	(7,550,146)	(7,550,146)	(1,628,895)
Cash fund balance, beginning of year	<u>7,550,146</u>	<u>7,550,146</u>	<u>7,550,146</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>5,921,251</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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	\$ 371,854	371,854	413,715
State Sources	118,352	120,801	120,805
Federal sources		50,000	339,841
Other Sources		207,721	207,721
Total revenues	<u>490,206</u>	<u>750,376</u>	<u>1,082,082</u>
Expenditures			
Instruction			169,362
Support services			1,004,583
Facilities, acquisition and const. services			319,180
Non-categorical	3,016,198	3,276,368	
Total expenditures	<u>3,016,198</u>	<u>3,276,368</u>	<u>1,493,125</u>
Revenues over (under) expenditures	(2,525,992)	(2,525,992)	(411,043)
Other financing sources (uses)			
Lapsed appropriations			9,075
Total other financing sources (uses)			<u>9,075</u>
Revenue and other sources over (under) expenditures and other uses	(2,525,992)	(2,525,992)	(401,968)
Cash fund balance, beginning of year	<u>2,525,992</u>	<u>2,525,992</u>	<u>2,525,992</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>2,124,024</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - DEBT SERVICE FUNDS
 JUNE 30, 2014**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 1,919,360	1,919,360	2,010,442
State sources			19
Non-revenue receipts			16,968
Total revenues	<u>1,919,360</u>	<u>1,919,360</u>	<u>2,027,429</u>
Expenditures			
Other outlays			
Debt service	<u>2,047,100</u>	<u>2,047,100</u>	<u>2,047,100</u>
Revenues over (under) expenditures	(127,740)	(127,740)	(19,671)
Cash fund balance, beginning of year	<u>127,740</u>	<u>127,740</u>	<u>127,740</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>108,069</u>

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-35, CHEROKEE 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 Tahlequah Public Schools Independent District No. I-35 (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.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects 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.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 did not maintain any expendable trust funds during 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.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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

C. Basis of Accounting and Presentation – contd.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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

E. Assets, Liabilities and Fund Equity – contd.

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 unmaturred 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 unmaturred obligations.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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 owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include 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.

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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 building fund and the non-special education portion of PL874 Impact Aid 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.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately \$13,743,296 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.).

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014**

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		<u>240,398</u>	<u>240,398</u>
Total investments		<u>\$ 240,398</u>	<u>\$240,398</u>

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 (\$240,398).

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 bonds payable and four (4) capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

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:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2013	\$ 3,910,000	1,363,422	5,273,422
Additions	2,020,000		2,020,000
Retirements	1,905,000	252,960	2,157,960
Balance, June 30, 2014	<u>\$ 4,025,000</u>	<u>1,110,462</u>	<u>5,135,462</u>

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Combined Purpose Bonds, Series 2009, original issue \$3,750,000, interest rate of 2.55-4.00%, due in an initial installment of \$90,000 on 7-01-11, annual installments thereafter of \$1,220,000, final payment due 7-01-14;	\$ 1,220,000
Combined Purpose Bonds, Series 2012, original issue \$785,000, interest rate of 0.70%, due in one installment of \$785,000 due 7-01-14;	785,000
Building Bonds, Series 2013, original issue \$2,020,000, interest rate of 1.00%, due in one installment of \$2,020,000 due 7-01-15;	2,020,000
<u>Capital Leases</u>	
Lease agreement for capital equipment/improvements, totaling \$622,793, dated 5-23-07, interest rate of 4.83%, annual payments beginning 7-25-08 totaling \$106,976, final payment 7-25-14;	\$ 102,046

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

3. **General Long-term Debt** – contd.

	<u>Amount outstanding</u>
<u>Capital Leases – contd.</u>	
Lease agreement for equipment, totaling \$355,159, dated 8-20-12, interest rate of 2.75%, monthly payments beginning 9-1-12 totaling \$5,977, final payment 8-1-17;	\$ 217,279
Lease agreement for 2012 Dodge Ag Truck, totaling \$41,300, dated 4-12-10, interest rate of 3.375%, annual payments beginning 1-31-13 totaling \$8,951, final payment 1-31-17;	25,137
Lease agreement for capital equipment/improvements, totaling \$1,000,000, dated 8-24-10, interest rate of 6.87%, annual payments beginning 2-24-11 of various amounts, final payment 8-24-20;	<u>766,000</u>
Totals	<u>\$ 5,135,462</u>

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

Year ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2015	2,005,000	38,503	2,043,503
2016	2,020,000	20,200	2,040,200
Total	<u>\$ 4,025,000</u>	<u>58,703</u>	<u>4,083,703</u>

There was \$72,100 interest paid on long-term debt incurred during the current year.

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

Year ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2015	265,733	60,485	326,218
2016	171,814	47,108	218,922
2017	181,002	38,152	219,154
2018	119,913	29,307	149,220
2019	116,000	21,572	137,572
Thereafter	256,000	17,862	273,862
Total	<u>\$ 1,110,462</u>	<u>214,486</u>	<u>1,324,948</u>

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

4. Employee Retirement System – contd.

Annual Pension Cost

The District's portion of the total contributions for 2014, 2013 and 2012 were \$1,660,020, \$1,635,394, and \$1,566,253 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-35, CHEROKEE COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2014**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>COOP FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2014</u>	<u>2013</u>
Cash	<u>\$ 2,342,059</u>	<u>32,680</u>	<u>2,374,739</u>	<u>2,577,603</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	167,694	31,205	198,899	33,706
Encumbrances	51,816		51,816	17,905
Total liabilities	<u>219,510</u>	<u>31,205</u>	<u>250,715</u>	<u>51,611</u>
Fund Equity				
Cash fund balances	<u>2,122,549</u>	<u>1,475</u>	<u>2,124,024</u>	<u>2,525,992</u>
Total Liabilities and Fund Equity	<u>\$ 2,342,059</u>	<u>32,680</u>	<u>2,374,739</u>	<u>2,577,603</u>

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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	TOTALS (Memorandum Only)	
			2014	2013
Revenues				
Local sources	\$ 413,715		413,715	466,858
State sources	4	120,801	120,805	118,355
Federal sources	289,841	50,000	339,841	151,815
Non-revenue receipts		207,721	207,721	125,000
Total revenues	<u>703,560</u>	<u>378,522</u>	<u>1,082,082</u>	<u>862,028</u>
Expenditures				
Instruction		169,362	169,362	171,028
Support services	796,898	207,685	1,004,583	265,567
Facilities, acquisition and const. services	319,180		319,180	38,064
Total expenditures	<u>1,116,078</u>	<u>377,047</u>	<u>1,493,125</u>	<u>474,659</u>
Revenues over (under) expenditures	(412,518)	1,475	(411,043)	387,369
Other financing sources (uses)				
Operating transfers in (out)			-	(6,796)
Lapsed appropriations	9,075		9,075	-
Total other financing sources (uses)	<u>9,075</u>		<u>9,075</u>	<u>(6,796)</u>
Revenue and other sources over (under) expenditures and other uses	(403,443)	1,475	(401,968)	380,573
Cash fund balance, beginning of year	<u>2,525,992</u>	-	<u>2,525,992</u>	<u>2,145,419</u>
Cash fund balance, end of year	<u>\$ 2,122,549</u>	<u>1,475</u>	<u>2,124,024</u>	<u>2,525,992</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 371,854	371,854	413,715			
State sources			4		120,801	120,801
Federal sources			289,841	118,352	50,000	50,000
Non-revenue receipts					207,721	207,721
Total revenues	<u>371,854</u>	<u>371,854</u>	<u>703,560</u>	<u>118,352</u>	<u>378,522</u>	<u>378,522</u>
Expenditures						
Instruction						169,362
Support services			796,898			207,685
Facilities, acquisition and const. services			319,180			
Non-categorical	2,897,846	2,897,846		118,352	378,522	
Total expenditures	<u>2,897,846</u>	<u>2,897,846</u>	<u>1,116,078</u>	<u>118,352</u>	<u>378,522</u>	<u>377,047</u>
Revenues over (under) expenditures	(2,525,992)	(2,525,992)	(412,518)	-	-	1,475
Other financing sources (uses)						
Lapsed appropriations			9,075			
Total other financing sources (uses)			<u>9,075</u>			
Revenue and other sources over (under) expenditures and other uses	(2,525,992)	(2,525,992)	(403,443)	-	-	1,475
Cash fund balance, beginning of year	2,525,992	2,525,992	2,525,992	-	-	-
Cash fund balance, end of year	\$ -	-	<u>2,122,549</u>	-	-	<u>1,475</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
 JUNE 30, 2014**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2014	2013
<u>ASSETS</u>		
Cash	\$ 217,185	240,420
Investments	240,398	239,019
Total assets	457,583	479,439

LIABILITIES AND FUND EQUITY

Liabilities		
Funds held for school organizations	\$ 457,583	479,439

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
801 Football	\$ 1,414	42,761		30,082	14,093
802 Boys Basketball	1,365	8,087		6,767	2,685
803 Girls Basketball	5,779	5,819		4,471	7,127
805 Boys Baseball	115	1,378		1,476	17
806 Girls Softball	20	5,132		4,674	478
807 Wrestling	16	3,232		2,985	263
808 Boys Tennis	-	-		-	-
809 Girls Tennis	2,241	3,425		3,885	1,781
811 Boys Track	7,234	17,346		16,126	8,454
812 Girls Track	4,177	80		1,268	2,989
813 Golf	704	-		700	4
814 Cross Country	3,792	1,890		1,097	4,585
815 Soccer	779	5,493		6,214	58
816 Volleyball	979	4,085		3,863	1,201
821 Student Council	2,438	10,385		9,476	3,347
822 Library	12,919	51,818		53,627	11,110
823 PTA	50,508	84,606		96,145	38,969
824 Pictures	11,199	14,569		12,661	13,107
825 Courtesy/Flowers	1,720	1,948		1,493	2,175
826 Miscellaneous	51,555	86,042	(350)	94,287	42,960
827 Gifted & Talented	9,291	23,777		22,623	10,445
828 General Fund Refunds	12,224	7,570		12,934	6,860
829 Projects	14,640	63,282		56,819	21,103
831 S.A.D.D. -DFY	535	465		126	874
832 The Clothing Store	1,690	500		378	1,812
833 F.C.A.	152	-		-	152
834 Pom Squad	6,746	42,654		47,077	2,323
835 Yearbook	43,840	33,160		41,202	35,798
836 Youth Wrestling	76	3,691		3,736	31
837 French Club	672	722		971	423
838 Honor Society	1,821	1,586		1,936	1,471
839 F.H.A.-FCCLA	1,365	15,618	150	15,109	2,024
841 Cheerleaders	12,440	37,441	120	40,796	9,205
842 Vocal Music	3,881	49,528		47,354	6,055
843 Band	12,875	118,945		110,513	21,307
844 Indian Heritage	418	-		-	418
845 Basketball Tournament	2,747	4,580		6,488	839
846 Youth Volleyball	\$ 5,048	1,740		1,488	5,300

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
847	Success Grant Activity	\$ 3,040	-		995	2,045
848	Junior Class	4,017	7,750		8,151	3,616
851	F.B.L.A.-BPA	3,500	3,938	(150)	1,653	5,635
853	Foreign Student Account	3,519	-		-	3,519
854	F.F.A.	1,524	18,024		18,435	1,113
855	Science Club	5,909	15,793		18,159	3,543
856	Spanish Club	1,111	-		-	1,111
857	Gold Card Program	1,185	-		146	1,039
858	Athletic Department Fundraising	91	2,169		2,170	90
859	The Technology Account	1,172	918		1,794	296
861	Science Lab	2,878	4,684		5,300	2,262
863	THS Basketball Rebound (Boys)	3,702	17,378		20,761	319
864	Special Olympics	24,865	11,604		12,281	24,188
865	Competitive Cheerleading	2	-		-	2
867	T.H.S. Drama Club	5,120	7,062		7,200	4,982
869	Journalism Account	210	-		-	210
872	Hepatitis "B" Shot Deposits	100	-		-	100
873	Transportation	736	305		189	852
874	JROTC	9,008	7,853		6,915	9,946
876	OPAT	191	-		-	191
877	Maintenance Department	154	200		354	-
879	Parking Permits Account	18,312	14,755		18,788	14,279
881	Accufax	1,037	5,130		5,275	892
882	Doyle Green Scholarship Fund	450	1,176		132	1,494
883	The Baseball Booster Club	3,182	4,818		7,072	928
884	Tiger Cage Camp	830	-	150	-	980
885	Lady Tiger Cage Camp	88	-		-	88
886	THS Basketball Rebound (Girls)	7,437	9,925		10,538	6,824
887	Tahlequah Kickoff Club	11,809	25,333		33,629	3,513
888	Tiger Softball Camp	5,628	42,159		36,540	11,247
889	THS Softball Booster Club	4,066	14,185		16,772	1,479
891	Tahlequah Band Booster	16,286	39,365		45,140	10,511
893	Tiger Takedown Club	2,592	27,053		29,568	77
895	Back Pack Food Program	5,580	12,029		4,457	13,152
896	Tiger Soccer Booster Club	1,322	3,575		3,665	1,232
898	Professional Development Account	572	5,111		478	5,205
902	THS Golf Booster Club	773	1,455		2,150	78
903	Tahlequah Tennis Booster Club	\$ 753	492		635	610

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
904 Academic Team	\$ 2,085	1,905	80	4,002	68
905 GED Testing Program	10,917	3,920		6,323	8,514
906 THS Cross Country Boosters	946	2,464		2,058	1,352
909 Girls Soccer Booster Club	4,165	7,006		6,451	4,720
911 Cherokee Language	10	-		-	10
915 THS Volleyball Camp	6,161	2,911		5,482	3,590
919 Soft Serve	169	88,194		88,363	-
922 Maurice Box Memorial	500	500		500	500
923 Para Pro Testing	-	655		505	150
925 Art Class	497	3,289		3,747	39
927 HOSA	2,745	42,849		33,932	11,662
931 Indian Education Activity	3,870	244		1,265	2,849
932 Drama Club Travel Account	51	-		-	51
933 THS Photography Club	68	-		-	68
935 AP Stat	3,078	745		1,330	2,493
938 English Club	360	-		-	360
941 Cherokee Elementary	1,353	-		-	1,353
942 THS Freshman Class	116	-		-	116
943 THS Algebra Class	182	15		-	197
TOTAL ASSETS - AGENCY FUNDS	<u>479,439</u>	<u>1,212,291</u>	<u>-</u>	<u>1,234,147</u>	<u>457,583</u>
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	<u>\$ 479,439</u>	<u>1,212,291</u>	<u>-</u>	<u>1,234,147</u>	<u>457,583</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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 VIII Impact Aid - 2014 - GF	84.041	S041B144221	\$ 42,988		42,988	42,988	
Title VIII Impact Aid - 2014 - BF	84.041	S041B144221	289,841		289,841	98,080	191,761
Title VIII Impact Aid - 2013 - BF	84.041	S041B134221		115,092		115,092	
Title VIII Impact Aid - 2012 - BF	84.041	S041B124221		71,088		71,088	
Title VII-Part A, Indian Education	84.060	S060A130854	328,442		234,322	328,301	(93,979)
Title VII-Part A, Indian Education 2012-13 - Note 1	84.060	S060A120854		(42,190)	42,190		
PEP Grant	84.299A	S299A130037	298,591		113,806	173,100	(59,294)
Subtotal			959,862	143,990	723,147	828,649	38,488
Passed Through State Department of Education:							
* Title I-Part A, Improving Basic Programs	84.010		1,128,457	(287,217)	847,211	1,098,258	(251,047)
Title I-Part A, Improving Basic Programs 2012-13 - Note 1	84.010				287,217		
* Title I-Part A Neglected	84.010		924	(2,197)	706	924	(218)
Title I-Part A Neglected 2012-13 - Note 1	84.010				2,197		
* Title I-Part C, Migrant Incentive	84.011		45,657	(30,537)	32,782	45,657	(12,875)
Title I-Part C, Migrant Incentive 2012-13 - Note 1	84.011				30,537		
Title II-Part A, Teacher & Principal Training	84.367		190,361	(52,489)	122,967	176,599	(53,632)
Title II-Part A 2012-13 - Note 1	84.367				52,489		
Title II-Part B Math & Science Partnership	84.366		50,000		50,000	50,000	
Title III-Part A Immigrant	84.365		10,123		9,697	9,697	(9,697)
Title III-Part A English Language Acq.	84.365		32,719	(3,650)	21,592	29,610	(8,018)
Title III-Part A English Language Acq. 2012-13 - Note 1	84.365				3,650		
* Special Education, Flowthrough, P.L. 105-17	84.027		686,900	(110,919)	497,069	651,579	(154,510)
Special Education, Flowthrough 2012-13 - Note 1	84.027				110,919		
* Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		11,395	(1,845)	8,365	11,136	(2,771)
Special Education, Preschool, Ages 3-5 2012-13 - Note 1	84.173				1,845		
Title VI-Small Rural Schools Ach. Program	84.358		67,151		67,116	67,151	(35)
Adult Basic Education	84.002		64,842		12,192	47,013	(34,821)
Subtotal			2,288,529	(488,854)	2,148,854	2,187,624	(527,624)
Department of Health and Human Services			\$ 125,000		46,958	77,529	(30,571)
Drug-Free Communities	93.276						

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		\$ 59,123	(14,433)	40,793	57,493	(16,700)
Carl Perkins Grant 2012-13 - Note 1	84.048			(14,433)	14,433		
Subtotal			<u>59,123</u>	<u>(14,433)</u>	<u>55,226</u>	<u>57,493</u>	<u>(16,700)</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				112,836	112,836	
Non-Cash Assistance Subtotal					<u>112,836</u>	<u>112,836</u>	
Cash Assistance:							
National School Lunch Program	10.555				988,875	942,442	46,433
National School Lunch Program 2012-13 - Note 1	10.555			(2,073)	2,073		
School Breakfast Program	10.553				301,742	268,715	33,027
School Breakfast Program 2012-13 - Note 1	10.553			(1,059)	1,059		
Cash Assistance Subtotal				<u>(3,132)</u>	<u>1,293,749</u>	<u>1,211,157</u>	<u>79,460</u>
Total For Program (Cluster)				<u>(3,132)</u>	<u>1,406,585</u>	<u>1,323,993</u>	<u>79,460</u>
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		74,880	(32,415)	39,922	74,880	(34,958)
Johnson O'Malley 2012-13 - Note 1	15.130			217	32,415		
Cherokee Nation CAN 2011-12 carryover	93.243		217	10,348	66,370	217	12,521
ROTC	93.778		141,467	(21,850)	138,707	139,294	(22,437)
Subtotal			<u>141,467</u>	<u>(21,850)</u>	<u>138,707</u>	<u>139,294</u>	<u>(22,437)</u>
Total Federal Assistance			<u>\$ 3,573,981</u>	<u>(384,279)</u>	<u>4,519,477</u>	<u>4,614,582</u>	<u>(479,384)</u>

* Major federal programs

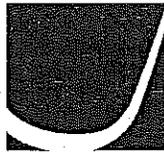
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$112,836 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 I-35, CHEROKEE COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual	Superintendent	601032323	\$100,000	7/1/13-7/1/14
	Treasurer	601032323	\$100,000	7/1/13-7/1/14
	Activity Fund	601032323	\$100,000	7/1/13-7/1/14
	Encumbrance/Minutes Clerk	601032323	\$100,000	7/1/13-7/1/14
CNA Surety	Deputy Treasurer	601-69529648	\$100,000	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
Tahlequah School District No. I-035
Tahlequah, 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 Tahlequah School District No. I-035, Tahlequah, 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 December 9, 2014. 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.

Compliance and Other Matters

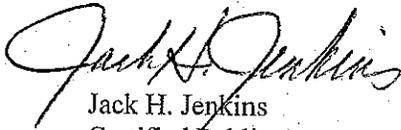
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 December 9, 2014.

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.

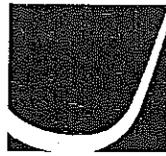
Purpose of this Report

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.

December 9, 2014



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
Tahlequah School District No. I-035
Tahlequah, Oklahoma 74465-0517

Report on Compliance for Each Major Federal Program

I have audited the compliance of Tahlequah School District No. I-035, Tahlequah, 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, Tahlequah School District No. I-035, Tahlequah, 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.

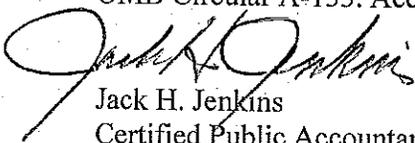
Report on Internal Control over Compliance

The management of Tahlequah School District No. I-035, Tahlequah, 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.

December 9, 2014

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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: Title I, Child Nutrition and Special Education programs 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-35, CHEROKEE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2013 TO JUNE 30, 2014

Findings – Financial Statement Audit

14-01 – Treasurer Software

Condition: The District Treasurer did not use the accounting software to reconcile the appropriated funds to the bank statements. The Treasurer did reconcile to the bank statement monthly using a separate spreadsheet, outside of the software.

Criteria: The Treasurer should reconcile the balances in the accounting software to the bank statement on a monthly basis.

Effect: Reconciling outside of the software may cause the District's OCAS coding information to be inaccurate regarding revenues and beginning and ending fund balances.

Recommendation: I recommend that the District Treasurer use the accounting software to reconcile to the bank statement monthly to ensure the correct accounting information is submitted to the State Department of Education at fiscal year-end.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2013 TO JUNE 30, 2014**

13-01 – Treasurer Software

The issue regarding the Treasurer not using the approved OCAS software to balance with cash continued in the 2013-14 fiscal year. Although the Treasurer was balancing to cash each month outside of the software, several adjustments were needed to comply with OCAS requirements set by the State Department of Education.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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 Tahlequah 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
9th day of December, 2014

Michael Kemper
NOTARY PUBLIC

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

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2013 TO JUNE 30, 2014

The annual independent audit for Tahlequah 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."

Spa M. Pugh
Superintendent of Schools

12/11/2014
Date of Board Meeting

B. A. B...
Board of Education President

Jennifer S. Nichols
Board of Education Clerk

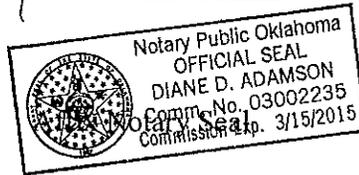
[Signature]
Board of Education Vice President

Sharon Baller
Board of Education Member

Carolyn Sheppard
Board of Education Member

Subscribed and sworn to before me on this 11th day of December, 2014.
My commission expires on 15th day of March, 2015.

Diane D. Adamson
Notary Public





Jack H. Jenkins, CPA *A Professional Corporation*

December 9, 2014

Tahlequah Public Schools
Attn: Ms. Diane Adamson
PO Box 517
Tahlequah, OK 74465-0517

Dear Ms. Adamson:

Listed below is an audit exception and recommendation from the final audit work we performed for you. Please review it 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 an exception relayed to management that is an immaterial instance of noncompliance with laws and regulations and which is 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 – Treasurer Reports

During the audit, I observed that the District Treasurer was not using the accounting software to reconcile the appropriated funds' cash balances to the bank statement for each month. A reconciliation was being performed using a separate report based on information gathered from the accounting software. Although these reports reconciled to cash at the bank, OCAS coding balances reported to the State Department of Education required several adjustments.

I recommend the Treasurer use the accounting software to reconcile to cash on a monthly basis to ensure that the proper financial information is reported to the board and to the State Department of Education at fiscal year-end.

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.

TAHLEQUAH PUBLIC SCHOOLS

TIGERS

Removing
Obstacles
Achieving
Results

Lisa Presley
Superintendent

Randy Underwood
Executive Director Technology &
Central Academy

DeAnn Mashburn
Executive Director Human
Resources & Secondary Curriculum

Nancy K. Jones
Executive Director Special Services

P O Box 517
225 North Water Avenue,
Tahlequah, Oklahoma 74465

PHONE: (918) 458-4100
FAX: (918) 458-4103
EMAIL: ipsi35@tahlequahschools.org

WEB PAGE:
www.tahlequahschools.org

BUSINESS OFFICE:

Diane Adamson
Financial Director

Christine Gonzales
Federal Programs Manager

Pat Molloy
Activity Fund
Custodian/Manager

Kathy Daniel
Office Manager

*Jennifer Nichols &
Lonnie Wright*
Personnel Office

December 11, 2014

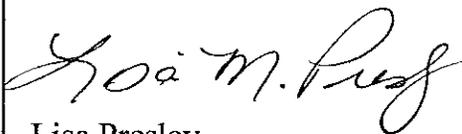
Jack H. Jenkins, CPA
Certified Public Accountant, P.C.
10026-A South Mingo Rd #309
Tulsa OK 74133-5700

Dear Mr. Jenkins,

We are providing this response letter in connection with your audit of the combined financial statements of Tahlequah Public Schools I-35, Cherokee County, as of June 30, 2014, and for the 2013-2014 fiscal year then ended.

Tahlequah Public Schools I-35 has retained the services of a new Treasurer who is utilizing the accounting software to reconcile the appropriated funds' cash balances to the bank statement on a monthly basis. This change will help to ensure the proper financial information is reported to the board and to the State Department of Education at fiscal year-end.

Sincerely,



Lisa Presley
Superintendent