

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

**WILSON INDEPENDENT SCHOOL DISTRICT NO. 1-43
CARTER COUNTY, OKLAHOMA**

JUNE 30, 2014

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

October 17, 2014

The Honorable Board of Education
Wilson School District Number I-43
Wilson, Carter County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Wilson School District Number I-43, Wilson, Carter County, Oklahoma (the District), as of and for the year ended June 30, 2014, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 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 asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” Paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of the District, as of June 30, 2014, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

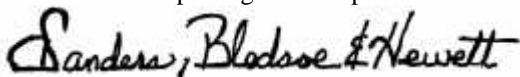
Other Matters

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

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

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and to other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



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**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**

October 17, 2014

The Honorable Board of Education
Wilson School District Number I-43
Wilson, Carter County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the Wilson School District Number I-43, Wilson, Carter County, Oklahoma (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 17, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2014

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
SCHEDULE OF AUDIT RESULTS
JUNE 30, 2014

Section 1 - Summary of Auditor's Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – A finding relating to the financial statements required to be reported in accordance with GAGAS:

None

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash	\$ 559,760	124,768	297,894	49,423	43,147		1,074,992
Investments				257,711	65,814		323,525
Amounts available in debt service						23,466	23,466
Amount to be provided for retirement of long-term debt						4,264,289	4,264,289
Total Assets	\$ 559,760	124,768	297,894	307,134	108,961	4,287,755	5,686,272
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Warrants payable	\$ 250,519	17,956					268,475
Encumbrances	83,139	46,669					129,808
Unmatured obligations			274,428				274,428
Funds held for school organizations					108,961		108,961
Long-term debt:							
Bonds payable						620,000	620,000
Capital leases						3,667,755	3,667,755
Total liabilities	333,658	64,625	274,428	0	108,961	4,287,755	5,069,427
Fund Equity:							
Cash fund balances	226,102	60,143	23,466	307,134	0	0	616,845
Total Liabilities and Fund Equity	\$ 559,760	124,768	297,894	307,134	108,961	4,287,755	5,686,272

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST FUNDS	
Revenues Collected:						
Local sources	\$ 500,519	225,001	354,503			1,080,023
Intermediate sources	93,790					93,790
State sources	2,377,854	2,922				2,380,776
Federal sources	347,264	126,464				473,728
Interest earnings	934		32	1,540		2,506
Non-revenue receipts	2,127	1,439				3,566
Total revenues collected	<u>3,322,488</u>	<u>355,826</u>	<u>354,535</u>	<u>1,540</u>	<u>0</u>	<u>4,034,389</u>
Expenditures:						
Instruction	2,187,987	106,440				2,294,427
Support services	1,095,974	66,834				1,162,808
Operation of non-instructional services	2,794	191,357				194,151
Facilities acquisition & construction services	24,206	3,000		275,000		302,206
Other outlays:						
Repayments	500					500
Debt service requirements			346,960			346,960
Total expenditures	<u>3,311,461</u>	<u>367,631</u>	<u>346,960</u>	<u>275,000</u>	<u>0</u>	<u>4,301,052</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	11,027	(11,805)	7,575	(273,460)	0	(266,663)
Other financing sources (uses):						
Bond sale proceeds				275,000		275,000
*Transfers in (out)					(20,614)	(20,614)
Adjustments to prior year encumbrances	19,684		(500)			19,184
Total other financing sources (uses)	<u>19,684</u>	<u>0</u>	<u>(500)</u>	<u>275,000</u>	<u>(20,614)</u>	<u>273,570</u>
Excess of revenues collected and other financing sources over (under) expenditures	30,711	(11,805)	7,075	1,540	(20,614)	6,907
Cash fund balances, beginning of year	<u>195,391</u>	<u>71,948</u>	<u>16,391</u>	<u>305,594</u>	<u>20,614</u>	<u>609,938</u>
Cash fund balances, end of year	<u>\$ 226,102</u>	<u>60,143</u>	<u>23,466</u>	<u>307,134</u>	<u>0</u>	<u>616,845</u>

*Balance transferred to the activity fund

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 422,181	422,181	500,519	78,338
Intermediate sources	87,383	87,383	93,790	6,407
State sources	2,305,640	2,305,640	2,377,854	72,214
Federal sources	170,493	334,171	347,264	13,093
Interest earnings			934	934
Non-revenue receipts			2,127	2,127
Total revenues collected	2,985,697	3,149,375	3,322,488	173,113
Expenditures:				
Instruction			2,187,987	(2,187,987)
Support services			1,095,974	(1,095,974)
Operation of non-instruction services			2,794	(2,794)
Facilities acquisition & construction			24,206	(24,206)
Other uses	3,181,088	3,344,766		3,344,766
Repayments			500	(500)
Total expenditures	3,181,088	3,344,766	3,311,461	33,305
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(195,391)	(195,391)	11,027	206,418
Adjustments to prior year encumbrances	0	0	19,684	19,684
Excess of revenue collected over (under) expenditures	(195,391)	(195,391)	30,711	226,102
Cash fund balance, beginning of year	195,391	195,391	195,391	0
Cash fund balance, end of year	\$ 0	0	226,102	226,102

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 109,609	228,541	225,001	(3,540)
State sources	1,367	1,367	2,922	1,555
Federal sources	147,850	147,850	126,464	(21,386)
Non-revenue receipts			1,439	1,439
Total revenues collected	258,826	377,758	355,826	(21,932)
Expenditures:				
Instruction			106,440	(106,440)
Support services			66,834	(66,834)
Operation of non-instructional services			191,357	(191,357)
Facilities acquisition and construction services			3,000	(3,000)
Other uses	330,774	449,706		449,706
Total expenditures	330,774	449,706	367,631	82,075
Excess of revenue collected over (under) expenditures	(71,948)	(71,948)	(11,805)	60,143
Cash fund balances, beginning of year	71,948	71,948	71,948	0
Cash fund balances, end of year	\$ 0	0	60,143	60,143

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
 BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 329,719	354,503	24,784
Interest earnings		32	32
Total revenues	329,719	354,535	24,816
Requirements:			
Bonds	337,000	337,000	
Coupons	9,110	9,110	
Commission paid to fiscal agent		850	850
Total expenditures	346,110	346,960	850
Excess of revenues collected over (under) expenditures before prior year adjustments	(16,391)	7,575	23,966
Prior year adjustments	0	(500)	(500)
Excess fo revenues collected over (under) Expenditures	(16,391)	7,075	23,466
Cash fund balance, beginning of year	16,391	16,391	0
Cash fund balance, end of year	\$ 0	23,466	23,466

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the Wilson Public Schools Independent District No. I-43 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. 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.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 Funds – Special revenue funds include the District’s building and Municipal sales tax funds.

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting - cont'd

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.

Municipal Sales Tax Fund – The municipal sales tax fund consists of monies derived from special sales tax on behalf of the District. These funds are kept separate and expended out for these items addressed in the tax levy agreement.

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

Capital Projects Fund – The capital projects fund is the District’s bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

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

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Fund Accounting – cont’d

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 the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

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

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

Memorandum Only - Total Column

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

C. Basis of Accounting – cont’d

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

D. Budgets and Budgetary Accounting

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

The 2013-14 Estimate of Needs was amended by supplemental appropriations as follows:

<u>Fund</u>	<u>Total</u>
General	\$ 163,678
Municipal Sales Tax	118,932

These amendments was approved by the county excise board

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

E. Assets, Liabilities and Fund Equity

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

Investments – The District is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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

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.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets 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 cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

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 passthrough 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.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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

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

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

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. During the 2013-14 fiscal year the District transferred \$20,614 from the gifts fund to the activity fund.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

2. CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2014, was \$1,076,473. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2014, the District's investments consisted of certificates of deposits and of investment pools (sweep accounts) invested in money market funds with an approximate fair market value of \$323,525.

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

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with American National Bank, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2014.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

4. GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District’s voters. Bond issues 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 building bonds payable and lease-purchase agreements. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

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

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2013	\$ 680,000	3,790,911	4,470,911
Additions	275,000	37,389	312,389
Retirements	(335,000)	(160,545)	(495,545)
Balance, June 30, 2014	\$ 620,000	3,667,755	4,287,755

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>	
Building Bonds, Series 2005, original issue \$720,000, interest rate of 3.10% to 3.75%, due in annual installments of \$80,000, final payment due 05-01-15	\$ 80,000
Building Bonds, Series 2012, original issue \$265,000, interest rate of 0.70%, due in one annual installment of \$265,000 on 08-01-14	265,000
Building Bonds, Series 2013, original issue \$275,000, interest rate of 0.60%, due in one annual installment of \$275,000 on 08-01-15	275,000

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

4. GENERAL LONG-TERM DEBT – cont'd

	<u>Amount Outstanding</u>
<u>Capital Leases</u>	
Lease purchase for Ford F-150 Truck, dated 01-15-13, totaling \$37,389, due in annual principal and interest installments of \$8,048	\$ 30,276
Qualified Zone Academy Bond lease purchase of metal roof, totaling \$222,000, due in annual principal and interest installments of \$24,111	92,864
Lease purchase for Buses, dated 2-8-11, Totaling \$140,000, due in annual principal And interest installments of \$27,143	74,615
Lease purchase for Public Facilities Authority Educational Facilities Lease revenue, dated 9-1-10, totaling \$3,755,000, due in varying annual installments (Note 8)	<u>3,470,000</u>
Total	<u>\$ 4,287,755</u>

The annual debt service requirements for the retirement of the building bonds and lease purchase agreements, including the payment of principal and interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 588,766	159,310	748,076
2016	535,366	146,436	681,802
2017	300,771	132,184	432,955
2018	247,852	120,140	367,992
2019	250,000	109,631	359,631
Thereafter	2,365,000	347,444	2,712,444
Total	\$ 4,287,755	1,015,145	5,302,900

Interest paid on general long-term debt incurred during the 2013-14 fiscal year totaled \$169,306.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2013-14 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during this year. The District is allowed by Oklahoma Teachers' Retirement System to make required contributions on behalf of the participating members. In addition, if a member's salary is paid in

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd

part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

Annual Pension Cost

The District's total contributions for 2014, 2013 and 2012 were \$291,137, \$260,147 and \$259,284, respectively.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God.

The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

6. RISK MANAGEMENT – cont'd

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2013-14 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expend more than \$500,000 in federal awards.

The District did not fall under this threshold during the 2013-14 fiscal year.

Litigation

District personnel state that they are not aware of any pending or threatened litigation, or of any asserted or unasserted claims or judgments against the District at June 30, 2014.

Subsequent Events

Management has evaluated subsequent events through October 17, 2014, 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.

8. LEASE REVENUE BONDS

Wilson Public Schools Project

On May 1, 2010, the Carter County Public Facilities Authority issued \$3,755,000 of Educational Facilities Lease Revenue Bonds (Wilson Public Schools Project) Series 2010, to provide funds for the constructing, equipping, repairing and remodeling of school buildings, acquiring furniture, fixtures and equipment and acquiring and improving school sites for the benefit of Wilson School District. Also on May 1,

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

8. LEASE REVENUE BONDS – cont'd

2010, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Carter County Public Facilities Authority. In addition, the District entered into a sublease, as lessee, with the Carter County Public Facilities Authority. The sublease calls for ten (14) annual payments starting September 1, 2011. These payments will be made out of bond funds, pursuant to the issuance of series bonds in the amount of \$5,500,000 on September 15, 2009. Wilson Public Schools will gain ownership to the capital improvements incrementally as each payment is made. These bonds are shown as general long-term debt on the combined statement assets, liabilities, and fund equity under bonds payable as each series of bonds is sold.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2014

	BUILDING FUND	CHILD NUTRITION FUND	MUNICIPAL SALES TAX FUND	TOTAL
<u>ASSETS</u>				
Cash	\$ 24,374	51,380	49,014	124,768
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 9,059	8,897		17,956
Encumbrances		6,709	39,960	46,669
Total liabilities	9,059	15,606	39,960	64,625
Fund Equity:				
Cash fund balances	15,315	35,774	9,054	60,143
Total Liabilities and Fund Equity	\$ 24,374	51,380	49,014	124,768

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND	CHILD NUTRITION FUND	MUNICIPAL SALES TAX FUND	TOTAL
Revenues Collected:				
Local sources	\$ 67,383	38,686	118,932	225,001
State sources		2,922		2,922
Federal sources		126,464		126,464
Non-revenue receipts		1,439		1,439
Total revenues collected	<u>67,383</u>	<u>169,511</u>	<u>118,932</u>	<u>355,826</u>
Expenditures:				
Instruction			106,440	106,440
Support services	54,731	8,665	3,438	66,834
Operation of non-instructional services		191,357		191,357
Facilities acquisition and construction services	3,000			3,000
Total expenditures	<u>57,731</u>	<u>200,022</u>	<u>109,878</u>	<u>367,631</u>
Excess of revenues collected over (under) expenditures	9,652	(30,511)	9,054	(11,805)
Cash fund balances, beginning of year	<u>5,663</u>	<u>66,285</u>	<u>0</u>	<u>71,948</u>
Cash fund balances, end of year	<u>\$ 15,315</u>	<u>35,774</u>	<u>9,054</u>	<u>60,143</u>

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND			CHILD NUTRITION FUND			MUNICIPAL SALES TAX FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:									
Local sources	\$ 60,296	60,296	67,383	\$ 49,313	49,313	38,686	\$	118,932	118,932
State sources				1,367	1,367	2,922			
Federal sources				147,850	147,850	126,464			
Non-revenue receipts						1,439			
Total revenues collected	<u>60,296</u>	<u>60,296</u>	<u>67,383</u>	<u>198,530</u>	<u>198,530</u>	<u>169,511</u>	<u>0</u>	<u>118,932</u>	<u>118,932</u>
Expenditures:									
Instruction									106,440
Support services			54,731			8,665			3,438
Operation of non-instructional services						191,357			
Facilities acquisition and construction services			3,000						
Other uses	65,959	65,959		264,815	264,815			118,932	
Total expenditures	<u>65,959</u>	<u>65,959</u>	<u>57,731</u>	<u>264,815</u>	<u>264,815</u>	<u>200,022</u>	<u>0</u>	<u>118,932</u>	<u>109,878</u>
Excess of revenues collected over (under) expenditures	(5,663)	(5,663)	9,652	(66,285)	(66,285)	(30,511)	0	0	9,054
Cash fund balances, beginning of year	<u>5,663</u>	<u>5,663</u>	<u>5,663</u>	<u>66,285</u>	<u>66,285</u>	<u>66,285</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>15,315</u>	<u>\$ 0</u>	<u>0</u>	<u>35,774</u>	<u>\$ 0</u>	<u>0</u>	<u>9,054</u>

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
 JUNE 30, 2014

	2010 BUILDING BOND FUND	2010 TRANSPORATION BOND FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 48,458	965	49,423
Investments	257,711		257,711
Total Assets	\$ 306,169	965	307,134
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities	\$ 0	0	0
Fund Equity:			
Cash fund balances	306,169	965	307,134
Total Liabilities and Fund Equity	\$ 306,169	965	307,134

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	2010 BUILDING BOND FUND	2010 TRANSPORTATION BOND FUND	TOTAL
Revenue:			
Interest earnings	\$ 1,540	0	1,540
Expenditures:			
Facilities acquisition & const. services	275,000	0	275,000
Excess of revenues collected over (under) expenditures before other financing sources	(273,460)	0	(273,460)
Other financing sources (uses):			
Bond sale proceeds	275,000		275,000
Excess of revenues collected over (under) expenditures	1,540	0	1,540
Cash fund balances, beginning of year	304,629	965	305,594
Cash fund balances, end of year	<u>\$ 306,169</u>	<u>965</u>	<u>307,134</u>

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FIDUCIARY FUND TYPES -REGULATORY BASIS
 JUNE 30, 2014

	EXPENDABLE TRUST FUNDS	AGENCY FUNDS	
<u>ASSETS</u>	GIFTS AND ENDOWMENTS FUND	SCHOOL ACTIVITY FUNDS	TOTAL
Cash	\$ 0	43,147	43,147
Investments		65,814	65,814
Total Assets	\$ 0	108,961	108,961
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Funds held for school organizations	\$ 0	108,961	108,961
Fund Equity:			
Cash fund balances	0	0	0
Total Liabilities and Fund Equity	\$ 0	108,961	108,961

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 ALL AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u> 7-01-13	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-14
<u>ASSETS</u>					
Cash & Investments	\$ 86,681	302,930	20,614	301,264	88,347
 <u>LIABILITIES</u>					
Funds held for school organizations:					
Administration	\$ 416	994		1,250	160
High school basketball tourney	838	8,929		8,521	1,246
Athletics	3,407	26,055		27,793	1,669
PTVO	4,966	5,913		7,720	3,159
Child nutrition	0	15,146		15,146	0
Band	1,121	4,750		5,312	559
Beta club	425	31,980		31,415	990
High school cheerleaders	4,163	7,879		11,514	528
General fund refund	(57)	3,065	57	3,065	0
Scholarship	360	0		100	260
Delouis Alexander school	1,000	1,000		2,000	0
Elementary miscellaneous	3,128	10,827	(57)	12,243	1,655
Junior high cheerleaders	566	0		0	566
FFA	2,342	33,981		31,266	5,057
A.R./Popcorn	204	0		204	0
Interest earnings	107	125		100	132
Track / D Lee	0	706		670	36
High school miscellaneous	97	541		621	17
Pee Wee cheerleaders	0	11,755		8,446	3,309
Class of 2013	334	(334)		0	0
Yearbook	2,428	5,794		6,554	1,668
Middle school miscellaneous	1,413	160		280	1,293
Class of 1959 scholarship	1,500	2,000		1,000	2,500
Class of 1960-61 scholarship	0	525		0	525
Band boosters	2,956	2,608		3,941	1,623
Pink out	53	955		0	1,008
Elementary pumpkin patch	620	2,073		2,008	685
Wilson youth assoc.	6,463	5,238		6,238	5,463
Student council	19	1,138		1,062	95
Class of 2016	350	100		0	450
Senior misc./ graduation	41	935		956	20
Class of 2017	0	220		0	220
Class of 63	0	625		0	625
Little Dribblers	236	0		0	236
Family Living Class	787	2,647		3,352	82

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 ALL AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u> 7-01-13	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-14
Cafeteria Pickles	1,909	710		350	2,269
Carol Howard Altman	951	0		500	451
Elementary P.E.	943	0		525	418
Girls basketball	2,094	8,545		8,233	2,406
Cross country track	4	8,883		5,859	3,028
H.S. counselor	200	0		165	35
Golf	0	850		450	400
Academic team	1,103	195		605	693
Wilson summer league	19,618	26,915		14,647	31,886
Library	237	5,394		5,097	534
Class of 2015	96	15,051		14,057	1,090
Elem counselor	1,124	0		0	1,124
Softball	1,487	15,562		15,932	1,117
Class of 2014	0	5,846		5,806	40
Elementary science	3,156	850		109	3,897
Softball Fieldhouse Repair	11,510	0		11,510	0
Baseball	316	5,472		4,435	1,353
Newspaper	125	247		0	372
Grace Ward Curry School	372	26	20,614	0	21,012
FCA	48	0		0	48
AP - math	155	0		0	155
Boys basketball	195	18,554		18,254	495
Football fund raiser	755	1,500		1,953	302
Total Liabilities	<u>\$ 86,681</u>	<u>302,930</u>	<u>20,614</u>	<u>301,264</u>	<u>108,961</u>

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's No.	Program or Award Amount	Balance at 7/1/2013	Revenue Collected	Total Expenditures	Balance at 6/30/2014
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060a	S060A130225	\$ 29,043		10,000	29,043	19,043
Small, Rural School Achievement Program	84.358a	S358A130025	31,500		31,500	31,500	
Sub Total			<u>60,543</u>	<u>0</u>	<u>41,500</u>	<u>60,543</u>	<u>19,043</u>
<u>Passed Through State Department of Education:</u>							
Title I	84.010		118,765		118,765	118,765	
Title I 2012-13 - Note	84.010			55,911	55,911		
Title II, Part A	84.367		26,999		26,999	26,999	
IDEA-B Flow through	84.027		123,439		95,351	123,439	28,088
IDEA-B Preschool	84.173		8,739		8,739	8,739	
Sub Total			<u>277,942</u>	<u>55,911</u>	<u>305,765</u>	<u>277,942</u>	<u>28,088</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Programs							
School breakfast program	10.553				36,432	36,432	2,044
National school lunch program	10.555				90,032	90,032	3,799
Sub Total					<u>126,464</u>	<u>126,464</u>	<u>5,843</u>
<u>Passed Through Department of Human Services:</u>							
Non-cash assistance - commodities - Note 1							
National school lunch program	10.555				11,808	11,808	
Total Federal Assistance			<u>\$ 338,485</u>	<u>55,911</u>	<u>485,537</u>	<u>476,757</u>	<u>52,974</u>

Note 1 - Commodities received by the District in the amount of \$11,808 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2014

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Old Republic Surety	Treasurer, Minutes Clerk, Activity Fund	LOP2009526	\$100,000	07/01/13 - 07/01/14
	Encumbrance/Minutes clerk, Activity Fund	LOP2009526	10,000	07/01/13 - 07/01/14
	Lunch Fund Clerk	LOP2009526	5,000	07/01/13 - 07/01/14
	Superintendent, Activity Fund	LOP2009526	100,000	07/01/13 - 07/01/14
	Activity Fund	LOP2009526	10,000	07/01/13 - 07/01/14

INDEPENDENT SCHOOL DISTRICT NO. I-43, CARTER COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

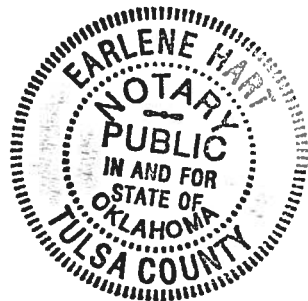
State of Oklahoma)
) ss
County of Tulsa)

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

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

By 
Authorized Agent

Subscribed and sworn to before me
This 17th day of October, 2014




Notary Public (or Clerk or Judge)

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