

Review of McLoud Public Schools Financial Audits (2011-2024)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

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Purpose: This document summarizes the main themes and important ideas found within the annual financial audit reports of McLoud Public Schools Independent School District No. I-1 from fiscal year 2011 to 2024.

Sources: Excerpts from the State Audit reports for McLoud Public Schools for the fiscal years ending June 30, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024.

Key Themes and Important Ideas:

1. Financial Reporting Basis:

The District consistently prepares its financial statements using a **regulatory basis of accounting** as prescribed by the Oklahoma State Department of Education, which differs from Generally Accepted Accounting Principles (GAAP).

Revenues are recognized when received rather than earned.

Expenditures are generally recognized when encumbered/reserved rather than when the related fund liability is incurred.

The District does not maintain its accounts on the modified accrual basis.

The **General Fixed Assets Account Group is not presented** in the combined financial statements.

Inventories are consistently deemed "not material" to the financial statements.

2. Reporting Entity:

The McLoud Public Schools Independent School District No. I-1 is the primary government entity. Management has considered potential component units based on GASB criteria (oversight responsibility, financial interdependency, scope of public service, special financing relationships) and has consistently determined that **there are no potential component units included in the District's reporting entity.**

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

3. Funds and Account Groups:

The District uses fund accounting to demonstrate legal compliance and aid financial management. Funds are classified as governmental, proprietary (none present), and fiduciary. Governmental fund types consistently include the General Fund, Special Revenue Funds (e.g., Building Fund, Child Nutrition Fund), Debt Service Fund, and Capital Projects Fund.

Account groups (like the General Fixed Assets Account Group) are used to provide accountability for assets and liabilities not recorded in the funds.

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4. Assets, Liabilities, and Fund Equity:

Cash is held in demand deposit accounts and interest-bearing certificates of deposit at financial institutions.

Warrants Payable represent obligations for goods and services provided but not yet redeemed by the District's treasurer.

Encumbrances represent commitments related to purchase orders, contracts, etc., for which a warrant has not been issued. An expenditure and liability are recognized for outstanding encumbrances at year-end under the regulatory basis.

Unmatured Obligations (mentioned in some earlier reports) represent the total annual accruals for principal and interest on long-term debt, less payments made.

Cash Fund Balance represents funds not encumbered.

5. Deposits and Investments:

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agencies, certificates of deposit, savings accounts, and the District's own warrants, bonds, or judgments.

Consistently, the audit reports state that **the District did not hold any investments** as of the end of each fiscal year (2015-2024 explicitly mention this).

The District's cash deposits are entirely covered by FDIC or direct obligations of the U.S. government.

The District does not have a formal investment policy limiting investment maturities to manage interest rate risk.

The District's investment choices are limited by state law.

6. General Long-Term Debt:

State statutes prohibit the District from incurring debt exceeding the revenue for a fiscal year without voter approval.

Bond issues have been approved by voters for capital improvements and are required to be fully paid serially within 25 years.

General long-term debt primarily consists of **bonds payable** and **capital leases**. Debt service is payable from the debt service fund's balance and future revenues.

Starting in fiscal year 2020, the reports detail a **Ground Lease Agreement** with the Pottawatomie County Educational Facilities Authority for the construction of a new intermediate school building, financed by the Authority's revenue bonds. The District leases the facilities back under a sublease agreement and intends to finance the lease payments through periodic issuances of Building Bonds.

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7. Interfund Transactions and Repayment Expenditures:

Quasi-external interfund transactions are treated as revenues, expenditures, or expenses.

Reimbursements between funds are recorded as expenditures/expenses in the reimbursed fund.

Repayment Expenditures are for refunds of restricted revenue, overpayments, etc., to outside agencies.

8. Litigation:

The District is involved in lawsuits and unasserted claims. The District's attorney generally indicates that the resolution of these matters is not expected to have a materially adverse effect on the District's finances.

Notable Trends and Changes:

Increase in Overall Financial Activity: Reviewing the combined statements of revenues and expenditures across the years generally indicates an increase in the total financial activity of the District.

Long-Term Debt Structure: The introduction of the Ground Lease Agreement and subsequent Building Bonds in FY 2020 represents a significant change in the District's long-term debt financing for capital projects. The number of capital leases outstanding fluctuates over the years.

Auditor Changes: While Sanders, Bledsoe & Hewett audited the District in 2011, later reports indicate a change to other auditing firms like Jenkins & Kemper, CPA's, P.C. (starting around FY 2022).

This briefing document provides a high-level overview of the financial audits of McLoud Public Schools. For detailed financial information, please refer to the complete audit reports for each fiscal year.