

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

**BLACKWELL SCHOOL DISTRICT NO. I-45,  
KAY COUNTY, OKLAHOMA**

**JUNE 30, 2017**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**INDEPENDENT SCHOOL DISTRICT NO. I-45  
KAY COUNTY, OKLAHOMA  
JUNE 30, 2017**

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**INDEPENDENT SCHOOL DISTRICT NO. I-45  
KAY COUNTY, OKLAHOMA  
JUNE 30, 2017**

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**INDEPENDENT SCHOOL DISTRICT NO. I-45  
KAY COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2017**

BOARD OF EDUCATION

President	Angie Prince
Vice-President	Stacey Husted
Clerk	Bennett Brock
Member	Phil Green
Member	Kathleen Brown

SUPERINTENDENT OF SCHOOLS

Rick Riggs

TREASURER

Shara Bookout

MINUTES CLERK

Rhonda Buesing



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Blackwell School District No. I-45  
Blackwell, Oklahoma 74631-2909

**Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Blackwell School District No. I-45, Blackwell, Oklahoma (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, 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 as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified 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 Blackwell School District No. I-45, 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 our 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 Blackwell School District No. I-45, Kay County, Oklahoma as of June 30, 2017, or the revenues, expenses, and changes in net position and, 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 our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2017, and the revenues collected and expenditures paid and encumbered, of each fund type, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund statements, regulatory basis, 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 our opinion, the combining statements-regulatory basis are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 5, 2018

## **COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -**  
**REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2017**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS (MEMO ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	<u>GENERAL  DEBT</u>	
Cash	\$ 2,573,700	319,952	14,971	510,000	214,803		3,633,426
Amounts available in debt service						14,971	14,971
Amounts to be provided for retirement of general long-term debt						6,011,588	6,011,588
Total Assets	<u>2,573,700</u>	<u>319,952</u>	<u>14,971</u>	<u>510,000</u>	<u>214,803</u>	<u>6,026,559</u>	<u>9,659,985</u>
 <u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Warrants payable	401,702						401,702
Encumbrances	4,013						4,013
Funds held for school organizations					195,463		195,463
Long-term debt:							
Bonds payable						1,290,000	1,290,000
Capital leases						4,736,559	4,736,559
Total liabilities	<u>405,715</u>				<u>195,463</u>	<u>6,026,559</u>	<u>6,627,737</u>
Fund balances							
Restricted for:							
Capital projects				510,000			510,000
Gifts					19,340		19,340
Debt service			14,971				14,971
Co-Op		9,203					9,203
Child nutrition		117,456					117,456
Building		192,933					192,933
Unassigned	2,167,985						2,167,985
Total fund balances	<u>2,167,985</u>	<u>319,592</u>	<u>14,971</u>	<u>510,000</u>	<u>19,340</u>		<u>3,031,888</u>
Total liabilities and fund balances	<u>\$ 2,573,700</u>	<u>319,952</u>	<u>14,971</u>	<u>510,000</u>	<u>214,803</u>	<u>6,026,559</u>	<u>9,659,985</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH**  
**FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2017**

		GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	(MEMO ONLY)
Revenues						
Local sources	\$ 1,529,004	242,802	749,239			2,521,045
Intermediate sources	353,077					353,077
State sources	5,859,316	58,367	1,184			5,918,867
Federal sources	781,660	497,578				1,279,238
Non-revenue receipts	8,972	77,674	5,888			92,534
Total revenues	8,532,029	876,421	756,311			10,164,761
Expenditures						
Instruction	4,937,704	39,201				4,976,905
Support services	2,928,140	18,239				2,946,379
Operation of non-instructional services	5,517	569,007				574,524
Facilities, acquisition and const. services	9,497	149,091		780,000		938,588
Other outlays	71,623	221				71,844
Debt service			794,820			794,820
Total expenditures	7,952,481	775,759	794,820	780,000		10,303,060
Revenues over (under) expenditures	579,548	100,662	(38,509)	(780,000)		(138,299)
Other financing sources (uses)						
Lapsed appropriations	22,595					22,595
Bond proceeds				1,290,000		1,290,000
Total other financing sources (uses)	22,595			1,290,000		1,312,595
Revenue and other sources over (under) expenditures and other uses	602,143	100,662	(38,509)	510,000		1,174,296
Cash fund balance, beginning of year	1,565,842	218,930	53,480	-	19,340	1,857,592
Cash fund balance, end of year	\$ 2,167,985	319,592	14,971	510,000	19,340	3,031,888

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - BUDGETED GENERAL FUND  
JUNE 30, 2017**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 1,357,781	1,357,782	1,529,004
Intermediate sources	273,318	273,317	353,077
State sources	5,933,046	5,933,046	5,859,316
Federal sources	669,603	669,603	781,660
Non-revenue receipts			8,972
Total revenues	<u>8,233,748</u>	<u>8,233,748</u>	<u>8,532,029</u>
Expenditures			
Instruction	5,922,628	5,922,628	4,937,704
Support services	3,580,979	3,580,979	2,928,140
Operation of non-instructional services	5,517	5,517	5,517
Facilities, acquisition and const. services	110,000	110,000	9,497
Other outlays	180,466	180,466	71,623
Total expenditures	<u>9,799,590</u>	<u>9,799,590</u>	<u>7,952,481</u>
Revenues over (under) expenditures	(1,565,842)	(1,565,842)	579,548
Other financing sources (uses)			
Lapsed appropriations			22,595
Total other financing sources (uses)			<u>22,595</u>
Revenue and other sources over (under) expenditures and other uses	(1,565,842)	(1,565,842)	602,143
Cash fund balance, beginning of year	<u>1,565,842</u>	<u>1,565,842</u>	<u>1,565,842</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>2,167,985</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 240,582	240,582	242,802
State sources	7,765	7,765	58,367
Federal sources	501,385	501,385	497,578
Non-revenue receipts	89,569	89,569	77,674
Total revenues	<u>839,301</u>	<u>839,301</u>	<u>876,421</u>
Expenditures			
Instruction	50,857	50,857	39,201
Support services	82,239	82,239	18,239
Operation of non-instructional services	679,418	679,418	569,007
Facilities, acquisition and const. services	245,206	245,206	149,091
Other outlays	511	511	221
Total expenditures	<u>1,058,231</u>	<u>1,058,231</u>	<u>775,759</u>
Revenues over (under) expenditures	(218,930)	(218,930)	100,662
Cash fund balance, beginning of year	<u>218,930</u>	<u>218,930</u>	<u>218,930</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>319,592</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - DEBT SERVICE FUNDS  
JUNE 30, 2017**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 741,340	741,340	749,239
State sources			1,184
Non-revenue receipts			5,888
Total revenues	<u>741,340</u>	<u>741,340</u>	<u>756,311</u>
Expenditures			
Other outlays			
Debt service	<u>794,820</u>	<u>794,820</u>	<u>794,820</u>
Revenues over (under) expenditures	(53,480)	(53,480)	(38,509)
Cash fund balance, beginning of year	<u>53,480</u>	<u>53,480</u>	<u>53,480</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>14,971</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-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Blackwell Public Schools Independent District No. I-45 (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-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*B. Fund Accounting - contd.*

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

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

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

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 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*B. Fund Accounting - contd.*

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, worker's compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2016-17 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 worker's compensation fund accounts for revenues and expenditures for worker's 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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

B. *Fund Accounting* - contd.

**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 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*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 Balances*

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, 2017 is not material to the combined financial statements-regulatory basis.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*E. Assets, Liabilities and Fund Balances – contd.*

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

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

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

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

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

*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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*F. Revenue and Expenditures- contd.*

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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*F. Revenue and Expenditures- contd.*

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

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

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

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

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

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

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

*F. Revenue and Expenditures - contd.*

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 operating transfers made during the 2016-17 fiscal year.

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2017, the District held deposits of approximately \$3,633,426 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2. Deposits and Investments – contd.**

*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 deposit 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.).

There were no investments held at June 30, 2017.

**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.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

General long-term debt of the District consists of building bonds payable and three (3) capital leases. 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, 2017:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2016	\$ 780,000	5,465,280	6,245,280
Additions	1,290,000	-	1,290,000
Retirements	780,000	728,721	1,508,721
Balance, June 30, 2017	<u>\$ 1,290,000</u>	<u>4,736,559</u>	<u>6,026,559</u>

A brief description of the outstanding long-term debt at June 30, 2017 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2016, original issue \$780,000, interest rate of 1.05%, due one installment of \$780,000 on 7/1/18;	\$ 780,000
Comb. Purpose Bonds, Series 2016, original issue \$510,000, interest rate of 2.0%, due in annual installments of \$125,000, beginning 6/1/19, final payment of \$135,000 on 6/1/22;	510,000
<u>Capital Leases</u>	
Lease purchase for various equipment, dated 9-1-07, totaling \$9,355,000, interest rate of 4.0%, due in semi-annual installments in various amounts beginning 9-1-08, with the final payment due 9-1-21;	\$4,440,000

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>Amount outstanding</u>
Lease purchase for various equipment, dated 12-3-07, totaling \$437,750, interest rate of 1.68%, due in annual principal and interest installments of \$47,921, beginning 2-14-09, with the final payment due 2/14/18;	\$ 47,129
Lease purchase for new elevator, dated 9-1-11, totaling \$475,000, interest rate of 6.25%, due in annual principal and interest installments of varying amounts, beginning 9-1-12, with the final payment due 9-1-21;	<u>249,430</u>
Total	<u>\$ 6,026,559</u>

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

Year ending June 30	Principal	Interest	Total
2018	\$ -	18,390	18,390
2019	905,000	18,390	923,390
2020	125,000	7,700	132,700
2021	125,000	5,200	130,200
2022	135,000	2,700	137,700
Totals	<u>\$ 1,290,000</u>	<u>52,380</u>	<u>1,342,380</u>

There was \$14,820 interest paid on general long-term debt incurred during the current year.

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

Year ending June 30	Principal	Interest	Total
2018	\$ 760,319	193,981	954,300
2019	739,023	163,577	902,600
2020	769,871	132,914	902,785
2021	800,734	100,997	901,731
2022	1,666,612	67,826	1,734,438
Totals	<u>\$ 4,736,559</u>	<u>659,295</u>	<u>5,395,854</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employees who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension liability amount is not required to be presented on the financial statements. The amount of calculated net pension liability for the District at June 30, 2016 (latest information available) was \$9,914,944.

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,

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**4. Employee Retirement System**

Funding Policy – cont'd

2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2017, 2016 and 2015 were \$482,816, \$560,275, and \$587,895 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 STATEMENT**

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND**  
**BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2017**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>CO-OP FUND</u>	<u>TOTALS (MEMO ONLY)</u>
Cash	\$ 192,933	117,456	9,203	319,592
Investments				
Total assets	<u>192,933</u>	<u>117,456</u>	<u>9,203</u>	<u>319,592</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Fund balances				
Restricted	<u>192,933</u>	<u>117,456</u>	<u>9,203</u>	<u>319,592</u>
Total liabilities and fund balances	<u>\$ 192,933</u>	<u>117,456</u>	<u>9,203</u>	<u>319,592</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2017**

	BUILDING FUND	CHILD NUTRITION FUND	CO-OP FUND	TOTALS (MEMO ONLY)
Revenues				
Local sources	\$ 221,186	21,616		242,802
State sources	314	8,606	49,447	58,367
Federal sources		497,578		497,578
Non-revenue receipts		77,674		77,674
Total revenues	<u>221,500</u>	<u>605,474</u>	<u>49,447</u>	<u>876,421</u>
Expenditures				
Instruction	1,050		38,151	39,201
Support services	11,795		6,444	18,239
Operation of non-instructional services		569,007		569,007
Facilities, acquisition and const. services	149,091			149,091
Other outlays		221		221
Total expenditures	<u>161,936</u>	<u>569,228</u>	<u>44,595</u>	<u>775,759</u>
Revenues over (under) expenditures	59,564	36,246	4,852	100,662
Cash fund balance, beginning of year	<u>133,369</u>	<u>81,210</u>	<u>4,351</u>	<u>218,930</u>
Cash fund balance, end of year	<u>\$ 192,933</u>	<u>117,456</u>	<u>9,203</u>	<u>319,592</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	BUILDING FUND			CHILD NUTRITION FUND			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues									
Local sources	\$ 194,076	194,076	221,186			21,616	46,506	46,506	
State sources			314	7,765	7,765	8,606			49,447
Federal sources				501,385	501,385	497,578			
Non-revenue receipts				89,569	89,569	77,674			
Total revenues	<u>194,076</u>	<u>194,076</u>	<u>221,500</u>	<u>598,719</u>	<u>598,719</u>	<u>605,474</u>	<u>46,506</u>	<u>46,506</u>	<u>49,447</u>
Expenditures									
Instruction			1,050				50,857	50,857	38,151
Support services	82,239	82,239	11,795						6,444
Operation of non-instructional services				679,418	679,418	569,007			
Facilities, acquisition and const. services	245,206	245,206	149,091						
Other outlays				511	511	221			
Total expenditures	<u>327,445</u>	<u>327,445</u>	<u>161,936</u>	<u>679,929</u>	<u>679,929</u>	<u>569,228</u>	<u>50,857</u>	<u>50,857</u>	<u>44,595</u>
Revenues over (under) expenditures	(133,369)	(133,369)	59,564	(81,210)	(81,210)	36,246	(4,351)	(4,351)	4,852
Cash fund balance, beginning of year	<u>133,369</u>	<u>133,369</u>	<u>133,369</u>	<u>81,210</u>	<u>81,210</u>	<u>81,210</u>	<u>4,351</u>	<u>4,351</u>	<u>4,351</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>192,933</u>	<u>-</u>	<u>-</u>	<u>117,456</u>	<u>-</u>	<u>-</u>	<u>9,203</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND**  
**BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2017**

	31 TECHNOLOGY BOND FUND	32 TRANSPORT. BOND FUND	TOTALS (MEMO ONLY)
<u>ASSETS</u>			
Cash	\$ 150,000	360,000	510,000
Total assets	<u>150,000</u>	<u>360,000</u>	<u>510,000</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Fund balances			
Restricted	<u>150,000</u>	<u>360,000</u>	<u>510,000</u>
Total liabilities and fund balances	<u>\$ 150,000</u>	<u>360,000</u>	<u>510,000</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2017**

	31 TECHNOLOGY BOND FUND	32 TRANSPORT. BOND FUND	35 BUILDING BOND FUND	TOTALS (MEMO ONLY)
Revenues				
Local sources	\$ -		-	-
Expenditures				
Facilities, acquisition and const. services			780,000	780,000
Total expenditures	-	-	780,000	780,000
Revenues over (under) expenditures	-	-	(780,000)	(780,000)
Other financing sources (uses)				
Bond sales proceeds	150,000	360,000	780,000	1,290,000
Total other financing sources (uses)	150,000	360,000	780,000	1,290,000
Revenue and other sources over (under) expenditures and other uses	150,000	360,000	-	510,000
Cash fund balance, beginning of year	-	-	-	-
Cash fund balance, end of year	\$ 150,000	360,000	-	510,000

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND**  
**BALANCES - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES**  
**JUNE 30, 2017**

	EXPENDABLE TRUST FUND	AGENCY FUNDS	
	GIFTS	ACTIVITY	TOTAL
	FUND	FUNDS	(MEMO ONLY)
<u>ASSETS</u>			
Cash	\$ 19,340	195,463	214,803
Total assets	19,340	195,463	214,803
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Funds held for school organizations		195,463	195,463
Total liabilities		195,463	195,463
Fund Balances			
Cash fund balances	19,340	-	19,340
Total Liabilities and Fund Balances	\$ 19,340	195,463	214,803

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES REGULATORY BASIS - ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance <u>July 1, 2016</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
<b>Assets</b>					
Cash	<u>\$ 195,967</u>	<u>533,692</u>	<u>-</u>	<u>534,196</u>	<u>195,463</u>
<b>Liabilities</b>					
Funds held for student organizations					
<b>High School</b>					
Class of 2016	1,032	-		1,032	-
Class of 2017	2,034	515	(111)	930	1,508
Class of 2018	360	10,076	41	9,651	826
Class of 2019	443	4,960	-	3,310	2,093
Class of 2020	-	-	500	150	350
Yearbook	14,173	8,577	137	9,951	12,936
Art	411	310	-	250	471
Athletics	46,014	104,992		107,293	43,713
Band	1,715	9,101	25	9,220	1,621
Cheerleaders	4	1,500	-	-	1,504
Child Nutrition	-	15,928	8	15,936	-
Concessions I	1,435	359	-	316	1,478
Concessions II	13,361	12,562	-	17,130	8,793
Driver Ed	-	3,420	-	3,420	-
Extended Studies	292	-	-	-	292
FFA	42,021	55,304	(681)	61,396	35,248
FCCLA	1,749	4,361	100	3,915	2,295
Journalism	83	-	-	-	83
Ind Arts Wood	6,975	12,335		12,890	6,420
Life Skills	735	1,132		1,098	769
Library & Misc	138	1,219	(19)	1,247	91
Other Revenue	-	-	-	-	-
Pep Club	277	2,217	-	1,483	1,011
Graduation	907	-	-	-	907
Student Assistance	359	720	-	756	323
Student Council	6,774	15,839	-	14,563	8,050
Textbook Repl	-	10		10	-
Vocal	2,038	5,099		3,183	3,954
Drama	809	-		-	809
Grants/ Donations	-	7,064		6,445	619
<b>Middle School</b>					
Grants/ Donations	-	3,196		3,122	74
Band	50	600		650	-
Life Skills	-	1,150		807	343
FACS/FCCLA	302	1,009	(72)	1,057	182
TSA/Gateway	7,503	37,847		41,566	3,784
Library	397	1,789		1,755	431
Yearbook	1,116	1,800		1,034	1,882
Student Council	<u>\$ 1,169</u>	<u>8,416</u>	<u>20</u>	<u>3,119</u>	<u>6,486</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES REGULATORY BASIS - ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance <u>July 1, 2016</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Concession	\$ 2,582	32,460	(1,517)	30,746	2,779
Child Nutrition Students	-	24,771	1,561	26,332	-
Student Assistance	23	125	8	20	136
Quiz Bowl	216		-	-	216
<b>Elementary</b>					
Child Nutrition	-	37,704	(562)	37,142	-
PTA Fundraiser	3,418	11,507	250	8,301	6,874
Memory Books	335	2,326	-	2,224	437
Memorial Fund	215	-	-	-	215
Misc	15,592	71,333	648	71,126	16,447
Ice Cream Sales	4,363	12,789	(86)	12,789	4,277
Student Assignemt Books	916	-	-	-	916
School Picture Account	7,153	1,094	-	2,181	6,066
Special Olympics	-	1,474	(250)	60	1,164
T-Shirt	5,340	4,512		4,440	5,412
Popcorn	1,005	190		150	1,045
Lightspan	133	-		-	133
	<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>
 Total Liabilities	 <u>\$ 195,967</u>	 <u>533,692</u>	 <u>-</u>	 <u>534,196</u>	 <u>195,463</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/1/2016</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2017</u>
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060	561	\$ 61,558		61,557	61,557	
<b>Subtotal - Direct Programs</b>			<u>61,558</u>	<u>-</u>	<u>61,557</u>	<u>61,557</u>	<u>-</u>
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010	511	379,583		336,463	342,583	(6,120)
Title I-Part A, Improving Basic Programs 2015-16	84.010	799		(8,059)	8,059		
Title II-Part A, Teacher & Principal Training	84.367	541/586	97,481		44,262	46,286	(2,024)
Title II-Part A 2015-16	84.367	799		(2,646)	2,646		
Title VI-Rural and Low Income School Program	84.358	587	30,391		16,407	18,248	(1,841)
Special Education Cluster:							
IDEA-B Flowthrough	84.027	621	289,479		275,845	275,845	
IDEA-B Preschool	84.173	641	8,676		8,647	8,647	
Subtotal - Special Education Program (Cluster)			<u>298,155</u>	<u>-</u>	<u>284,492</u>	<u>284,492</u>	<u>-</u>
<b>Subtotal - Passed Through State Dept of Education</b>			<u>805,610</u>	<u>(10,705)</u>	<u>692,329</u>	<u>691,609</u>	<u>(9,985)</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048	421	\$ 13,316		13,185	13,185	
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
* Child Nutrition Cluster:							
Cash Assistance:							
National School Lunch Program	10.555	763			338,133	338,133	
School Breakfast Program	10.553	764			137,324	137,324	
Fresh Fruit/Veg. Program	10.582	768			22,121	21,187	934
Equipment Assistance Grant	10.579	791			5,517	5,517	
Cash Assistance Subtotal				<u>-</u>	<u>503,095</u>	<u>502,161</u>	<u>934</u>
<u>Passed Through State Department of Human Services:</u>							
Non-cash Assistance (Commodities)	10.555	N/A			41,960	41,960	
<b>Subtotal - Child Nutrition Program (Cluster)</b>				<u>-</u>	<u>545,055</u>	<u>544,121</u>	<u>934</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/1/2016	Revenue Collected	Total Expenditures	Ending Balance 6/30/2017
<u>Other Federal Assistance:</u>							
OJT-Rehabilitation Services	84.126	456	\$ 10,340	(326)	8,521	10,340	(2,145)
Flood Control	12.112	770	551		551		551
<b>Subtotal - Other Federal Assistance</b>			<u>10,891</u>	<u>(326)</u>	<u>9,072</u>	<u>10,340</u>	<u>(1,594)</u>
<b>Total Federal Assistance</b>			<u>\$ 891,375</u>	<u>(11,031)</u>	<u>1,321,198</u>	<u>1,320,812</u>	<u>(10,645)</u>

\* Major federal programs

Note 1 - Commodities received by the District in the amount of \$41,960 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount. These commodities are reported at fair market value.

Note 2 - There were no amounts passed to subrecipients.

Note 3 - Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

Note 4 - The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements. These expenditures are recognized following the cost principles contained in the Uniform Guidance. The District has also elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**SCHEDULE OF SURETY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual	Superintendent	601082823	\$100,000	10/28/16-10/28/17
	Treasurer	32S516071	\$100,000	9/9/16-9/9/17
Western Surety Company	Encumbrance Clerk	71602566	\$99,000	12/12/16-12/12/17
	Activity Fund Custodian HS	71602566	\$100,000	12/12/16-12/12/17
	Activity Fund Custodian MS	71602566	\$15,000	12/12/16-12/12/17
	Activity Fund Custodian ES	71602566	\$20,000	12/12/16-12/12/17
	Minutes Clerk	71602566	\$20,000	12/12/16-12/12/17
	Payroll Clerk	71602566	\$99,000	12/12/16-12/12/17



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**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  
Blackwell School District No. I-45  
Blackwell, Oklahoma 74631-2909

We 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 accompanying fund type and account group financial statements-regulatory basis as listed in the Table of Contents, of Blackwell School District No. I-45, Blackwell, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2018. 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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 5, 2018



**JENKINS & KEMPER**  
**CERTIFIED PUBLIC ACCOUNTANTS, P.C.**

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education  
Blackwell School District No. I-45  
Blackwell, Oklahoma 74631-2909

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Blackwell School District No. I-45, Blackwell, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The 's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (The Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Blackwell No. I-45, Blackwell, 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, 2017.

### Report on Internal Control over Compliance

The management of Blackwell No. I-45, Blackwell, 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 our audit, we considered the '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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the '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.

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

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

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 5, 2018

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2016 TO JUNE 30, 2017**

**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 the Uniform Guidance"
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 the Uniform Guidance.
7. Identification of Major Programs: Title I (84.010) and Child Nutrition (10.553,10.555,10.579,10.582) programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The District did not qualify to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2016 TO JUNE 30, 2017**

16-01 – Signed as Received

The District appeared to have corrected the condition of expenditures not having support that was signed as received.

16-02 – Credit Card Purchase Orders

The purchase orders related to credit card purchases appeared to be easily reconcilable and adequate support was attached during the 216-17 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2016 TO JUNE 30, 2017**

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 Blackwell School District for the audit year 2016-17.

Jenkins & Kemper, CPAs, P.C.

AUDITING FIRM

BY

AUTHORIZED AGENT

Subscribed and sworn to before me on this  
5<sup>th</sup> day of, March, 2018

Andrea Fugate  
NOTARY PUBLIC



