

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
CARNEGIE INDEPENDENT SCHOOL DISTRICT
NO. 33
CADDO COUNTY, OKLAHOMA
JUNE 30, 2017**

CARNEGIE SCHOOL DISTRICT NO. I-033
CADDO COUNTY, OKLAHOMA
JUNE 30, 2017

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**CARNEGIE SCHOOL DISTRICT NO. I-033, CADDO COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017**

BOARD OF EDUCATION

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BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education
Carnegie Independent School District No. 33
Carnegie, Caddo County, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements-regulatory basis of Carnegie Independent School District No. 33, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Carnegie Independent School District No. 33, Oklahoma'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 the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1. 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 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 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 modified audit opinions.

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

As described in Note 1, the financial statements are prepared by Carnegie Independent School District No. 33, Oklahoma, 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 meet 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 reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of 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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Carnegie Independent School District No. 33, Oklahoma, as of June 30, 2017, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, 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

However, in our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Carnegie Independent School District No. 33, Oklahoma, as of June 30, 2017, and the revenues it received and expenditures it paid and encumbered for the year then ended, in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements that collectively comprise Carnegie Independent School District No. 33, Oklahoma's basic financial statements. The Combining Financial Statements 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 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 Financial Statements 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 fund type and account group 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, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, the Combining Financial Statements 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 January 8, 2018, on our consideration of Carnegie Independent School District No. 33, Oklahoma's, internal control over financial reporting and on 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 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 Carnegie Independent School District No. 33, Oklahoma's internal control over financial reporting and compliance.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
January 8, 2018

COMBINED FINANCIAL STATEMENTS

Carnegie School District No.1-033, Caddo County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2017

	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
ASSETS								
Cash and Cash Equivalents	\$ 1,386,164	\$ 302,852	\$ 346,351	\$ 13,191	\$ 140,610	\$ 0	\$ 0	\$ 2,189,168
Investments	0	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	0	346,351	346,351
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	253,649	253,649
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	0	2,054,600	2,054,600
Amounts to be Provided For Compensated Absences	0	0	0	0	0	0	13,000	13,000
Total Assets	\$ 1,386,164	\$ 302,852	\$ 346,351	\$ 13,191	\$ 140,610	\$ 2,667,600	\$ 4,856,768	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Warrants Payable	\$ 76,575	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,575
Reserve for Encumbrances	8,878	3,608	0	0	0	0	0	12,486
Due to Activity Groups	0	0	0	0	130,110	0	0	130,110
General Obligation Bonds Payable	0	0	0	0	0	600,000	0	600,000
Capitalized Lease Obligations Payable	0	0	0	0	0	2,054,600	0	2,054,600
Compensated Absences Payable	0	0	0	0	0	13,000	0	13,000
Total Liabilities	\$ 85,453	\$ 3,608	\$ 0	\$ 0	\$ 130,110	\$ 2,667,600	\$ 2,886,771	
Fund Balances:								
Restricted For:								
Debt Service	\$ 0	\$ 0	\$ 346,351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 346,351
Capital Projects	0	0	0	13,191	0	0	0	13,191
Building Programs	0	192,212	0	0	0	0	0	192,212
Child Nutrition Programs	0	107,033	0	0	0	0	0	107,033
Gift Fund	0	0	0	0	10,500	0	0	10,500
Unassigned	1,300,711	(0)	0	0	0	0	0	1,300,711
Total Fund Balances	\$ 1,300,711	\$ 299,245	\$ 346,351	\$ 13,191	\$ 10,500	\$ 0	\$ 1,969,997	
Total Liabilities and Fund Balances	\$ 1,386,164	\$ 302,852	\$ 346,351	\$ 13,191	\$ 140,610	\$ 2,667,600	\$ 4,856,768	

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

Carnegie School District No. I-033, Caddo County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2017

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2017
Revenue Collected:					
Local Sources	\$ 726,223	\$ 71,927	\$ 350,675	\$ 132	\$ 1,148,958
Intermediate Sources	62,714	0	0	0	62,714
State Sources	2,790,175	3,148	12	0	2,793,335
Federal Sources	647,376	257,962	0	0	905,337
Non-Revenue Receipts	0	0	0	0	0
Total Revenue Collected	\$ 4,226,488	\$ 333,037	\$ 350,687	\$ 132	\$ 4,910,344
Expenditures Paid:					
Instruction	\$ 2,395,650	\$ 0	\$ 0	\$ 0	\$ 2,395,650
Support Services	1,401,618	67,602	0	515,000	1,984,219
Operation of Non-Instructional Services	67,847	259,192	0	0	327,039
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	15,000	0	15,000
Interest and Fiscal Agent Fees	0	0	480	0	480
Total Expenditures Paid	\$ 3,865,115	\$ 326,794	\$ 15,480	\$ 515,000	\$ 4,722,389
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ 361,373	\$ 6,243	\$ 335,207	\$ (514,868)	\$ 187,955
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):					
Estopped Warrants	\$ 965	\$ 0	\$ 0	\$ 0	\$ 965
Bond Proceeds	0	0	0	0	0
Transfers In	898	32,846	0	0	33,744
Transfers Out	(600)	0	0	0	(600)
Total Other Financing Sources (Uses)	\$ 1,264	\$ 32,846	\$ 0	\$ 0	\$ 34,109
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ 362,636	\$ 39,089	\$ 335,207	\$ (514,868)	\$ 222,065
Fund Balance - Beginning of Year	938,074	260,155	11,144	528,059	1,737,433
Fund Balance - End of Year	\$ 1,300,711	\$ 299,245	\$ 346,351	\$ 13,191	\$ 1,959,497

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

Carnegie School District No.1-033, Caddo County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ended June 30, 2017

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 559,300	\$ 559,300	\$ 726,223	\$ 79,946	\$ 79,946	\$ 71,927	\$ 319,680	\$ 319,680	\$ 350,687
Intermediate Sources	90,300	90,300	62,714	0	0	0	0	0	0
State Sources	2,690,363	2,690,363	2,790,175	3,000	3,000	3,148	0	0	0
Federal Sources	313,964	313,964	647,376	248,000	248,000	257,962	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
Total Revenue Collected	\$ 3,653,927	\$ 3,653,927	\$ 4,226,488	\$ 330,946	\$ 330,946	\$ 333,037	\$ 319,680	\$ 319,680	\$ 350,687
Expenditures Paid:									
Instruction	\$ 2,787,359	\$ 2,787,359	\$ 2,395,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	1,697,174	1,697,174	1,401,618	268,384	268,384	67,602	0	0	0
Operation of Non-Instructional Services	105,714	105,714	67,847	356,717	356,717	259,192	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	1,075	1,075	0	0	0	0	330,824	330,824	15,480
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 4,591,322	\$ 4,591,322	\$ 3,865,115	\$ 625,101	\$ 625,101	\$ 326,794	\$ 330,824	\$ 330,824	\$ 15,480
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (937,395)	\$ (937,395)	\$ 361,373	\$ (294,156)	\$ (294,156)	\$ 6,243	\$ (11,144)	\$ (11,144)	\$ 335,207
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 965	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	898	34,000	34,000	32,846	0	0	0
Transfers Out	(680)	(680)	(600)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (680)	\$ (680)	\$ 1,264	\$ 34,000	\$ 34,000	\$ 32,846	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (938,075)	\$ (938,075)	\$ 362,636	\$ (260,156)	\$ (260,156)	\$ 39,089	\$ (11,144)	\$ (11,144)	\$ 335,207
Fund Balance - Beginning of Year	938,074	938,074	938,074	260,155	260,155	260,155	11,144	11,144	11,144
Fund Balance - End of Year	\$ 0	\$ 0	\$ 1,300,711	\$ (0)	\$ (0)	\$ 299,245	\$ 0	\$ 0	\$ 346,351

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

Carnegie School District No. I-033, Caddo County

Notes To Combined Financial Statements

For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Carnegie Public Schools Independent District No. 33, Caddo County, Oklahoma (the "District") have been prepared in conformity with an other 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.

1.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 the 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 District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.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."

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund and the Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

3. 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 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.

4. Capital Projects Fund - The Capital Projects Fund consists of the District's 2016 Building and 2014 and 2016 Transportation Equipment bond issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, and 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. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. 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 operations.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

1. **Agency Funds** - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.
2. **Gift Fund** - The Gift Fund of the District was established through a donation to the School to be used to provide scholarships. The principal of the fund may be expended.

Account Groups

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 general fixed assets not accounted for in proprietary funds.

1. General Long-Term Debt Account Group - This account group is used 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 liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

The total column on the general purpose financial statements 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. Interfund eliminations have not been made in the aggregation of this data.

1.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 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.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- 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 require 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.

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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.

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – 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. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

Inventories – The value of consumable inventories at June 30, 2017, is not material to the basic financial statements.

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

Rights to receive a bonus upon retirement have been reported in the general long-term debt account since none of this is expected to be liquidated with expendable available financial resources.

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.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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 education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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 that categorical educational program revenues be accounted for in the general fund.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.F. Revenue, Expenses, and Expenditures, (continued)

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. Transfers in/transfers out may not agree because activity fund transactions are not included.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2017:

			<u>Carrying Value</u>
Deposits			
Demand Deposits		\$	2,193,630
Time Deposits			<u>0</u>
Total Deposits		\$	<u><u>2,193,630</u></u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ <u>0</u>
Total Investments			\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	2,189,168
Investments			0
Activity Fund Outstanding Checks/Deposits in Transit			<u>4,462</u>
Total Deposits and Investments		\$	<u><u>2,193,630</u></u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 2 – Deposit and Investment Risk, (continued)

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2017, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations- as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2017, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 2 – Deposit and Investment Risk, (continued)

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2017, the District had no concentration of credit risk as defined above.

Note 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 have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, obligations for compensated absences, and capital leases. Debt service requirements for bonds are payable solely from the fund balance and 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 Lease Obligations	Retirement Bonus Liab	Total
Balance, July 1, 2016	\$ 615,000	\$ 2,558,350	\$ 36,000	\$ 3,209,350
Additions	0	0	0	0
Retirements	15,000	503,750	23,000	541,750
Balance, June 30, 2017	\$ 600,000	\$ 2,054,600	\$ 13,000	\$ 2,667,600

A brief description of the outstanding general obligation bond issues at June 30, 2017, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2016 Combined Purpose Bond	1.5%-1.75%	1-Feb-19	\$ 600,000	\$ 600,000
Totals			\$ 600,000	\$ 600,000

Presented below is a summary of debt service requirement to maturity by years and by each bond issue.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 3 - General Long-term Debt, (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 Combined Purpose Bonds			
2017-18	\$ 300,000	\$ 19,500	\$ 319,500
2018-19	300,000	5,250	305,250
Sub Total	<u>600,000</u>	<u>24,750</u>	<u>624,750</u>
 Total Bonds	 <u>\$ 600,000</u>	 <u>\$ 24,750</u>	 <u>\$ 624,750</u>

Interest expense on bonds payable incurred during the current year totaled \$480.

The District has entered into a lease agreement as lessee for financing the acquisition of a building. This lease agreement qualifies as a capital leases for accounting purposes since title transfers at the end of the lease terms and it has been recorded at the present value of the future minimum lease payments. This lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2017 is as follows:

<u>Year Ending June 30</u>	<u>Building</u>	<u>Total</u>
2018	\$ 0	\$ 0
2019	513,650	513,650
2020	0	0
2021	513,650	513,650
2022-2025	<u>1,027,300</u>	<u>1,027,300</u>
Total	<u>2,054,600</u>	<u>2,054,600</u>
Less: Amount Representing Interest	<u>0</u>	<u>0</u>
 Present Value of Future Minimum		
Lease Payments	<u>\$ 2,054,600</u>	<u>\$ 2,054,600</u>

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 3 - General Long-term Debt, (continued)

Additionally, the District accrues for a retirement bonus for eligible employees upon retirement. To be eligible the employee must have been employed by the District for the immediate preceding fifteen years. They must also be eligible to retire and receive benefits from the Teacher Retirement System in accordance with the "80" years rule, (80 years of creditable service, which includes age plus years of School employment). Their decision to retire must be submitted to the Board of Education no later than March 15, of the year they desire to retire. Certified Employees will be entitled to \$5,000 and Support Employees will get \$1,500. The liability for retirement bonuses at June 30, 2017 is as follows:

Certified Employee Retirement Bonus Liability	\$ 10,000
Support Employee Retirement Bonus Liability	<u>3,000</u>
Retirement Bonuses	<u>\$ 13,000</u>

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2016. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2017, 2016, and 2015 were \$217,288, \$223,547, and \$221,056, respectively.

The compensation for employees covered by the System for the year ended June 30, 2017 was \$2,202,199 the District's total compensation was \$2,817,205. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.7% of compensation arising from federal grants (\$17,927). There were \$113,332 contributions made by employees during the year ended June 30, 2017.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 4 - Employee Retirement System, (continued)

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

Total pension obligation	\$ 22,193,244,472
Net assets available for benefits, at cost	<u>14,577,868,730</u>
Nonfunded pension benefit obligation	<u>\$ 7,615,375,742</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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.

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable and the amounts are not readily estimable, the District believes the resolution of these matters will not have a material adverse effect on the financial statements and may be settled by the District's insurance carrier. The District intends to vigorously defend itself on the various lawsuits.

Note 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. The District had the following insurance coverage during the year: Commercial property - \$1,000,000,000; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Carnegie School District No. I-033, Caddo County
Notes To Combined Financial Statements
For The Year Ended June 30, 2017

Note 6 – Risk Management, (continued)

The School also 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 them 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 schools losses for the last five year. 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 their loss fund in three years it is returned to them with no interest.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The superintendent is bonded by Western Surety Company bond number 71562690 for the penal sum of \$100,000 for the term July 1, 2016 to July 1, 2017.

The treasurer is bonded by Western Surety Company bond number 71069988 for the penal sum of \$100,000 for the term March 1, 2016 to March 1, 2017 and for the term March 1, 2017 to March 1, 2018.

The District has a surety bond with Western Surety Company, bond number 01517595, for the term of January 5, 2016 to January 5, 2017 and for the term of January 5, 2017 to January 5, 2018 that covers the following employees for the following amounts:

Secretary of School Lunch & Activity Fund	\$10,000
Minutes Clerk	\$5,000
Deputy Treasurer	\$40,000
Encumbrance Clerk	\$5,000

Note 9 – 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 has determined that no additional information needs to be added to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

Carnegie School District No.I-033, Caddo County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - Special Revenue Funds
June 30, 2017

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2017</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 192,212	\$ 110,641	\$ 302,852
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 192,212</u>	<u>\$ 110,641</u>	<u>\$ 302,852</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 0	\$ 0	\$ 0
Reserve for Encumbrances	<u>0</u>	<u>3,608</u>	<u>3,608</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 3,608</u>	<u>\$ 3,608</u>
Fund Balances:			
Restricted	<u>\$ 192,212</u>	<u>\$ 107,033</u>	<u>\$ 299,245</u>
<i>Total Fund Balances</i>	<u>\$ 192,212</u>	<u>\$ 107,033</u>	<u>\$ 299,245</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 192,212</u>	<u>\$ 110,641</u>	<u>\$ 302,852</u>

Carnegie School District No.1-033, Caddo County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2017

	Building Fund	Child Nutrition Fund	Total June 30, 2017
Revenue Collected:			
Local Sources	\$ 71,372	\$ 555	\$ 71,927
Intermediate Sources	0	0	0
State Sources	3	3,145	3,148
Federal Sources	0	257,962	257,962
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 71,375</u>	<u>\$ 261,662</u>	<u>\$ 333,037</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	67,602	0	67,602
Operation of Non-Instructional Services	0	259,192	259,192
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 67,602</u>	<u>\$ 259,192</u>	<u>\$ 326,794</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 3,774</u>	<u>\$ 2,470</u>	<u>\$ 6,243</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	32,846	32,846
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 32,846</u>	<u>\$ 32,846</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 3,774</u>	<u>\$ 35,315</u>	<u>\$ 39,089</u>
<i>Fund Balance - Beginning of Year</i>	<u>188,438</u>	<u>71,717</u>	<u>260,155</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 192,212</u></u>	<u><u>\$ 107,033</u></u>	<u><u>\$ 299,245</u></u>

Carnegie School District No. I-033, Caddo County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2017

	Building Fund			Child Nutrition Fund			Total
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenue Collected:							
Local Sources	\$ 79,946	\$ 79,946	\$ 71,372	\$ 0	\$ 0	\$ 555	\$ 79,946
Intermediate Sources	0	0	0	0	0	0	0
State Sources	0	0	3	3,000	3,000	3,145	3,000
Federal Sources	0	0	0	248,000	248,000	257,962	248,000
Non-Revenue Receipts	0	0	0	0	0	0	0
Total Revenue Collected	\$ 79,946	\$ 79,946	\$ 71,375	\$ 251,000	\$ 251,000	\$ 261,662	\$ 330,946
Expenditures Paid:							
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	268,384	268,384	67,602	0	0	0	268,384
Operation of Non-Instructional Services	0	0	0	356,717	356,717	259,192	356,717
Facilities Acquisition and Construction	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 268,384	\$ 268,384	\$ 67,602	\$ 356,717	\$ 356,717	\$ 259,192	\$ 625,101
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (188,438)	\$ (188,438)	\$ 3,774	\$ (105,717)	\$ (105,717)	\$ 2,470	\$ (294,156)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):							
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	34,000	34,000	32,846	34,000
Transfers Out	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 34,000	\$ 34,000	\$ 32,846	\$ 34,000
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (188,438)	\$ (188,438)	\$ 3,774	\$ (71,717)	\$ (71,717)	\$ 35,315	\$ (260,156)
Fund Balance - Beginning of Year	188,438	188,438	188,438	71,717	71,717	71,717	260,155
Fund Balance - End of Year	\$ 0	\$ 0	\$ 192,212	\$ 0	\$ 0	\$ 107,033	\$ (0)

Exhibit A-3

Carnegie School District No. I-033, Caddo County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis - Activity Fund
June 30, 2017

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 140,610
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 140,610</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>130,110</u>
<i>Total Liabilities</i>	<u>\$ 130,110</u>
Fund Equity:	
Restricted for Gift Fund	\$ <u>10,500</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 140,610</u>

Carnegie School District No.1-033, Caddo County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ended June 30, 2017

ACTIVITIES	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Athletics	\$ 24,629	\$ 57,516	\$ 69,584	\$ 12,561
HS Baseball	2,157	3,935	4,137	1,955
Boys Basketball	179	7,118	3,616	3,681
Girls Basketball	3,210	9,506	10,282	2,434
Girls Softball	3,531	5,415	7,495	1,451
Football	2,754	4,580	4,247	3,087
Track	235	4,629	3,144	1,720
Weight Lifting	121	0	0	121
Annual	23,943	12,468	11,360	25,051
Art Club	606	728	634	700
Band	662	11,007	10,283	1,386
Book	2,601	5,245	3,270	4,576
Box Tops	1,604	0	0	1,604
Child Nutrition Sub Acc	100	33,045	33,116	29
Concessions	1,000	38,792	30,699	9,093
Elementary Activities	6,161	30,600	29,144	7,617
Elem Academic Team	835	0	0	835
Elem Student Council	8,480	8,373	13,726	3,127
Flower Fund	581	0	60	521
Class of 2018	7,401	1,182	5,554	3,029
FFA	3,035	21,602	22,502	2,135
GT Elem	261	75	0	336
HS Academic Team	17	385	146	256
HS Cheerleaders	1,051	5,639	6,130	560
HS Science	179	0	0	179
HS Acct	3,754	198	379	3,573
HS Student Council	2,061	16,671	16,338	2,394
Indian Culture	319	0	0	319
MS ACCT	1,520	1,200	200	2,520
MS Academic Team	162	0	151	11
MS Cheerleaders	34	0	0	34
MS Science	278	0	0	278
MS Student Council	10,277	7,244	7,102	10,419
Class of 2020	0	8,103	4,260	3,843
Miscellaneous	286	350	487	149
Petty Cash Admin	0	550	550	0
Petty Cash Elem	0	200	200	0
Petty Cash HS	0	200	200	0
Refund	0	298	298	0
Class of 2019	3,727	3,240	1,529	5,438
Class of 2017	3,614	1,207	3,346	1,475
Spanish Club	281	630	568	343
Special Olympics	5,656	6,131	2,491	9,296
TSA	356	19,233	17,758	1,831
After Prom	554	125	554	125
Vocal	18	0	0	18
Sub-Total Activities	128,230	327,420	325,540	130,110
Gift Fund	13,500	0	3,000	10,500
Total Activities	\$ 141,730	\$ 327,420	\$ 328,540	\$ 140,610

CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 133
CADDO COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number	Approved Amount	Balance at July 1, 2016	Receipts	Expenditures	Balance at June 30, 2017
<i>U.S. Department of Education Direct Programs:</i>							
Title VII, Part A Indian Education	84.060	561	\$ 51,021.00	\$ (19,972.86)	\$ 70,993.86	\$ 51,021.00	\$ 0.00
Title VIII, Impact Aid	84.041	591	183,481.91	0.00	183,481.91	183,481.91	0.00
Title VIII, Impact Aid	84.041	592	7,772.45	0.00	7,772.45	7,772.45	0.00
Title VI, Subpart 1, Small Rural School Achievement Prog.	84.358	588	17,041.00	0.00	17,041.00	17,041.00	0.00
<i>Passed Through State Department of Education:</i>							
<i>2015-2016 Programs:</i>							
Title II, Part A - Improving Teacher Quality	84.367	541/586	0.00	(6,412.21)	6,412.21	0.00	0.00
IDEA-Part B, Flow Through	84.027	621	0.00	(521.39)	521.39	0.00	0.00
<i>2016-2017 Programs:</i>							
Title I	84.010	511	175,549.55	0.00	157,030.69	157,030.69	0.00
Title II, Part A - Improving Teacher Quality	84.367	586	48,100.02	0.00	46,095.53	49,100.02	(3,004.49)
Title II, Part A - Improving Teacher Quality	84.367	541	102.66	0.00	0.00	0.00	0.00
IDEA-Part B, Flow Through	84.027	621	106,997.63	0.00	105,598.65	106,117.74	(519.09)
IDEA-Part B, Preschool	84.173	641	1,516.26	0.00	1,516.26	1,516.26	0.00
Total State Department of Education			333,266.12	(6,933.60)	317,174.73	313,764.71	(3,523.58)
Total U.S. and State Department of Education			592,592.48	(26,906.46)	596,483.95	573,081.07	(3,523.58)
<i>U.S. Department of Interior:</i>							
Johnson O'Malley	15.130	563	29,895.00	(2,829.13)	48,699.00	30,548.48	15,321.39
<i>U.S. Department of Agriculture:</i>							
Cash Assistance:							
National School Lunch Program	10.555	763	191,083.72	1,477.32	191,083.72	191,991.99	569.05
School Breakfast Program	10.553	764	60,467.18	68.97	60,467.18	49,450.13	11,086.02
Summer Food Program	10.559	766	8,623.53	8,838.73	8,623.53	3,273.95	14,186.31
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555	n/a	22,931.54	0.00	22,931.54	22,931.54	0.00
Total U.S. Department of Agriculture			283,105.97	10,385.02	283,105.97	267,647.61	25,843.38
Total Federal Assistance			\$ 905,583.45	\$ (19,350.57)	\$ 928,268.92	\$ 871,277.16	\$ 37,641.19

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation. - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Carnegie Independent School District No. 33, Caddo County, Oklahoma under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of Carnegie Independent School District No. 33, Caddo County, Oklahoma, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carnegie Independent School District No. 33, Caddo County, Oklahoma.

Summary of Significant Accounting Policies. - Expenditures reported in the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance in the form of commodities is reported in the Schedule at the fair market value of the commodities received and disbursed. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Also, there were no awards passed through to sub-recipients.

INTERNAL CONTROL AND COMPLIANCE REPORTS



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
FAX 580-772-3085

**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**

To the Honorable Board of Education
Carnegie Independent School District No. 33
Carnegie, Caddo County, Oklahoma

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 fund type and account group financial statements-regulatory basis of Carnegie Independent School District No. 33, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Carnegie Independent School District No. 33, Oklahoma's basic financial statements, and have issued our report thereon dated January 8, 2018. As stated in our report, our opinion was adverse with respect to the financial statements not being prepared in conformity with accounting principles generally accepted in the United States of America because the presentation followed the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education. In addition, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation with respect to the financial statements being prepared following the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carnegie Independent School District No. 33, Oklahoma'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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as numbers 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carnegie Independent School District No. 33, Oklahoma's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002.

Response to Findings

Carnegie Independent School District No. 33, Oklahoma's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Carnegie Independent School District No. 33, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This 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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
January 8, 2018



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Education
Carnegie Independent School District No. 33
Carnegie, Caddo County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Carnegie Independent School District No. 33, Oklahoma's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Carnegie Independent School District No. 33, Oklahoma's major federal programs for the year ended June 30, 2017. Carnegie Independent School District No. 33, Oklahoma'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carnegie Independent School District No. 33, Oklahoma'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* (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 Carnegie Independent School District No. 33, Oklahoma'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 Carnegie Independent School District No. 33, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, Carnegie Independent School District No. 33, 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

Management of Carnegie Independent School District No. 33, 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 of compliance, we considered Carnegie Independent School District No. 33, Oklahoma'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 the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 entity'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 a 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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
January 8, 2018

OTHER INFORMATION

**CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITOR'S RESULTS

TYPE OF REPORT ISSUED ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP:	Adverse Opinion
MATERIAL WEAKNESSES IDENTIFIED IN INTERNAL CONTROL OVER FINANCIAL REPORTING:	No
SIGNIFICANT DEFICIENCIES IDENTIFIED IN INTERNAL CONTROL OVER FINANCIAL REPORTING THAT ARE NOT CONSIDERED TO BE MATERIAL WEAKNESSES:	Yes
DISCLOSURES OF NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:	None Reported
MATERIAL WEAKNESSES IDENTIFIED IN INTERNAL CONTROL OVER MAJOR FEDERAL AWARD PROGRAMS:	No
SIGNIFICANT DEFICIENCIES IDENTIFIED IN INTERNAL CONTROL OVER MAJOR FEDERAL AWARD PROGRAMS THAT ARE NOT CONSIDERED TO BE MATERIAL WEAKNESSES:	No
TYPE OF REPORT ISSUED ON COMPLIANCE FOR MAJOR FEDERAL AWARD PROGRAMS:	Unqualified Opinion
AUDIT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH THE UNIFORM GUIDANCE 2 CFR SECTION 200.516 (A):	No
MAJOR PROGRAMS:	84.041 Title VIII, Impact Aid 84.010 Title I <u>Special Education Cluster (IDEA)</u> 84.027 IDEA-Part B, Flow Through 84.173 IDEA-Part B, Preschool
DOLLAR THRESHOLD USED TO DISTINGUISH BETWEEN TYPE A AND B PROGRAMS:	\$750,000
QUALIFIED LOW-RISK AUDITEE:	No

CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES:

2017-001 Expenditure and Credit Card Purchasing Procedures

Condition: During our audit, we noted that there was a lack of controls over expenditure, credit card purchasing, documentation and review procedures which allowed unauthorized charges.

Criteria: Internal controls should be in place by accounting personnel and those charged with governance to provide effective oversight of the School's expenditure and credit card purchasing processes.

Cause: The School's internal control procedures for reviewing expenditures to ensure they are school related, posted properly, and contain the appropriate documentation by accounting personnel and management that were to provide effective oversight of the School's purchases using warrants and credit cards, failed to detect unauthorized expenditures and charges.

Effect: Unauthorized invoices were paid by the School and unauthorized charges were made to the School's credit card for expenditures that did not belong to the School. In addition, these unauthorized charges were ultimately paid each month when the School paid the credit card bills.

Recommendation: A formal purchasing and credit card policy should be implemented and followed that includes limited access to credit cards, submission of original receipts for all purchases that are signed by the actual purchaser, and an independent examination and review of the purchase orders, invoices and credit card statements each month to determine that expenditures and charges are school related and that all appropriate documentation is present. The School's accounting personnel and management must continually monitor and review the expenditures and credit card purchases to ensure no improper expenditures occur.

**CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

FINDINGS - FINANCIAL STATEMENTS AUDIT, (CONTINUED)

SIGNIFICANT DEFICIENCIES, (CONTINUED)

2017-002 Payroll Authorizations and Documentation

Condition: During our audit, we noted that there was a lack of controls over payroll authorizations, payroll documentation requirements, and the corresponding review procedures for those items which allowed for unapproved overtime payments and an incorrect bonus payment.

Criteria: Internal controls should be in place by management and those charged with governance to provide effective oversight of the School's payroll transactions.

Cause: The School's internal control procedures for reviewing payroll transactions to ensure they match the employee contracts, are authorized, school related, posted properly, and contain the appropriate documentation by accounting personnel and management that were to provide effective oversight of the School's payroll transactions, failed to detect unapproved and improperly documented overtime payments as well as an incorrect bonus payment.

Effect: Unapproved and improperly documented overtime payments were made by the School. In addition, a bonus payment was not calculated properly for an employee and was subsequently paid.

Recommendation: All payroll overtime payments should be supported with documentation that includes the date worked, start time, end time, hours worked, services performed, payroll rate, and extended amounts with totals. This documentation must be signed and dated by the employee and then given to the employee's supervisor or management for their approval to help ensure the proper payment is made. Bonus payments for certified and non-certified employees should be documented in the board of education minutes and the actual bonus payments should be examined by management for proper calculations before the bonus checks are given to the employees.

**CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS & QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

(None Reported)



CARNEGIE PUBLIC SCHOOL

330 WEST WILDCAT • CARNEGIE, OK 73015
CPS 580.654.1470 • CHS 580.654.1266 • CES 580.654.1945
Fax 580.654.1644 • Fax 580.654.2772 • Fax 580.654.1807
www.carnegieschools.com



Mark Batt • Superintendent • mbatt@carnegie.k12.ok.us
Scott Cline • CHS Principal • sccline@carnegie.k12.ok.us
Lori Graham • CES Principal • lgraham@carnegie.k12.ok.us

CORRECTIVE ACTION PLAN

January 8, 2018

DEPARTMENT OF EDUCATION

Carnegie Independent School District No. 33 respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: Britton, Kuykendall & Miller, CPA's
P.O. Box 507
Weatherford, OK 73096

Audit Period: Year ended June 30, 2017

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES:

2017-001 Expenditure and Credit Card Purchasing Procedures

Recommendation: A formal purchasing and credit card policy should be implemented and followed that includes limited access to credit cards, submission of original receipts for all purchases that are signed by the actual purchaser, and an independent examination and review of the purchase orders, invoices and credit card statements each month to determine that expenditures and charges are school related and that all appropriate documentation is present. The School's accounting personnel and management must continually monitor and review the expenditures and credit card purchases to ensure no improper expenditures occur.

Action Taken: Credit cards have been taken from all employees. There is now only one card that is housed in the administration office and checked out.

2017-002 Payroll Authorizations and Documentation

Recommendation: All payroll overtime payments should be supported with documentation that includes the date worked, start time, end time, hours worked, services performed, payroll rate, and extended amounts with totals. This documentation must be signed and dated by the employee and then given to the employee's supervisor or management for their approval to help ensure the proper payment is made. Bonus payments for certified and non-certified employees should be documented in the board of education minutes and the actual bonus payments should be examined by management for proper calculations before the bonus checks are given to the employees.

Action Taken: New timesheets and procedures for documenting have been enacted and bonus payments have been documented in board minutes and verified by both the payroll official and superintendent.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

(None Reported)

If the Department of Education has questions regarding this plan, please call Mark Batt at 580-654-1266.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Batt', with a stylized flourish at the end.

Mark Batt
Superintendent



CARNEGIE PUBLIC SCHOOL

330 WEST WILDCAT • CARNEGIE, OK 73015
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Mark Batt • Superintendent • mbatt@carnegie.k12.ok.us
Scott Cline • CHS Principal • scline@carnegie.k12.ok.us
Lori Graham • CES Principal • lgraham@carnegie.k12.ok.us

CORRECTIVE ACTION PLAN

March 30, 2017

DEPARTMENT OF EDUCATION

Carnegie Independent School District No. 33 respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm: Britton, Kuykendall & Miller, CPA's
P.O. Box 507
Weatherford, OK 73096

Audit Period: Year ended June 30, 2016

The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES:

2016-001 Revenue misclassifications in the accounting system

Recommendation: The School's accounting personnel and management must continually monitor and review the accounting records looking for misclassifications. The School's accounting records should also be reconciled with the federal program award records to ensure they are in agreement with one another. If misclassifications are found, the School's accounting records should be corrected immediately.

Action Taken: A monthly audit and reconciliation of all federal revenue and expenditure has been adopted and will be adhered to as normal procedure.

MATERIAL WEAKNESSES, (CONTINUED):

2016-002 Expense misclassifications in the accounting system

Recommendation: The School's accounting personnel and management must continually monitor and review the accounting records looking for misclassifications. The School's accounting records should also be reconciled with the federal program award records to ensure they are in agreement with one another. The District should put controls in place to ensure that OCAS expenditures match federal monies received. If misclassifications are found, the School's accounting records should be corrected immediately.

Action Taken: A monthly audit and reconciliation of all federal revenue and expenditure has been adopted and will be adhered to as normal procedure.

SIGNIFICANT DEFICIENCY:

2016-003 Credit Card Purchasing

Recommendation: A formal credit card policy should be implemented and followed that includes limited access to cards, submission of original receipts for all purchases that are signed by the purchaser, and independent examination and review of credit card statements each month to determine that charges are school related and that all appropriate documentation is present. The School's accounting personnel and management must continually monitor and review the credit card purchases to ensure no improper expenditures occur.

Action Taken: The credit card has been cancelled with no future plans to replace.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES:

DEPARTMENT OF EDUCATION

2016-004 Title VIII, Impact Aid - CFDA No. 84.041; Grant Period – Year ended June 30, 2016

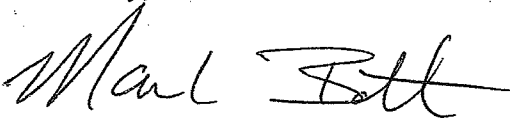
See the material weakness at Finding 2016-001 which also applies to this grant.

2016-005 Title VIII, Impact Aid - CFDA No. 84.041; Grant Period – Year ended June 30, 2016

See the material weakness at Finding 2016-002 which also applies to this grant.

If the Department of Education has questions regarding this plan, please call Mark Batt at 580-654-1470.

Sincerely,



Mark Batt
Superintendent



**CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2016-001 Condition: The finding was a material weakness stating that instances were noted where revenues had been misclassified in the accounting system. \$16,305.40 of 84.358 Title VI, Subpart 1, Small Rural School Achievement Program and \$40,242.13 of 84.060 Title VII, Part A, Indian Education revenues were improperly classified as Title VIII, Impact Aid revenues in the School's accounting records.

Recommendation: It was recommended to the School that they utilize their accounting personnel and management to continually monitor and review the accounting records looking for misclassifications. It was also recommended that the School reconcile their accounting records with the federal program award records to ensure they were in agreement with one another. If misclassifications were found, the School was to correct their accounting records immediately. Management concurred with the recommendation and indicated they would implement a monthly audit and reconciliation of all federal revenues and expenditures.

Current Status: The recommendations were implemented by the School and no similar findings were noted in the audit for the year ended June 30, 2017.

Finding 2016-002 Condition: The finding was a material weakness stating that instances were noted where expenses had been misclassified in the School's accounting system. The School recorded expenses in the accounting system for a federal project that did not match what was paid by federal monies. Expenditures for 84.041, Title VIII, Impact Aid were coded in excess of the amount of revenues by the amount of \$48,849.07.

Recommendation: It was recommended to the School that they utilize their accounting personnel and management to continually monitor and review the accounting records looking for misclassifications. It was also recommended that the School reconcile their accounting records with the federal program award records to ensure they are in agreement with one another. If misclassifications were found, the School was to correct their accounting records immediately. Management concurred with the recommendation and indicated they would implement a monthly audit and reconciliation of all federal revenues and expenditures.

Current Status: The recommendations were implemented by the School and no similar findings were noted in the audit for the year ended June 30, 2017.

**CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, (CONTINUED)

Finding 2016-003 Condition: The finding was a significant deficiency stating there was a lack of controls over credit card purchasing, documentation and review procedures which allowed unauthorized charges.

Recommendation: It was recommended that the School implement and follow a formal credit card policy that included limited access to cards, submission of original receipts for all purchases that are signed by the purchaser, and independent examination and review of credit card statements each month to determine that charges are school related and that all appropriate documentation is present. Management elected to cancel the credit card to eliminate their exposure to the credit card risk and has no future plans to replace the credit card.

Current Status: The credit card was used for nine months of the School's fiscal year ended June 30, 2017 before being cancelled in March of 2017. Therefore, finding 2016-003 is being shown as a repeat finding in number 2017-001 of the current year financial statement findings.

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

Finding 2016-004 Title VIII, Impact Aid - CFDA 84.041

The material weakness at Finding 2016-001 also applied to this grant.

Finding 2016-005 Title VIII, Impact Aid - CFDA 84.041

The material weakness at Finding 2016-002 also applied to this grant.

CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, (CONTINUED)
JUNE 30, 2017

CONTROL DEFICIENCIES

- 2016-006 During our audit of the payroll records, we noted some extra duty pay where remunerations for services exceeding \$500.00 did not have a written extra duty contract as required by Title 70 Section 5-123 of the Oklahoma statutes. No expenditure involving an amount greater than Five Hundred Dollars (\$500.00) shall be made by a board of education except in accordance with the provisions of a written contract.
- 2016-007 During our audit of the federal programs, we noted that some of the equipment purchased with federal funds was not properly labeled as required by the federal program guidelines. For tracking purposes, all equipment purchased with federal funds should be labeled with the name of the federal program and the fiscal year the equipment was purchased.
- 2016-008 During our audit, we noted there was no district inventory system in place for equipment and technology. Federal program guidelines require that a tracking system be in place so that federally purchased equipment can be identified and located at all times. All technology and equipment of the school district should be recorded in a district inventory tracking system with detailed information related to its purchase and location. This information should be supplemented by room inventories.
- 2016-009 During our audit of the Activity Fund, we noted numerous instances where sponsors were not issuing individual receipts for money collected. Fundraisers, donations, etc. should have individual receipts written to students or others turning in monies when possible. When not feasible, gates, raffles, carnivals, etc. should have a dated cash count sheet signed by two individuals to account for all monies received. When applicable, tickets with beginning and ending numbers should be noted on the cash count sheet and retained. When possible, documentation such as a cash register printout receipt or other supporting documentation such as a fundraiser reconciliation should be attached where applicable. State law requires the use of pre-numbered receipts that are to be issued by the sponsor of each individual subaccount to support all money collected. The District should implement a system and put procedures and controls in place to allow for adequate control over the receipting process.
- 2016-010 During our audit of the Activity Fund, we found that money being receipted by several of the Activity Fund sponsors was not being forwarded to the Activity Fund custodian on a timely basis. Sponsors should turn in their money daily so that per 70 O.S. 5-129 the Activity Fund custodian can determine if money is required to be deposited on that business day.

CARNEGIE INDEPENDENT SCHOOL DISTRICT NO. 33
CADDO COUNTY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, (CONTINUED)
JUNE 30, 2017

CONTROL DEFICIENCIES, (CONTINUED)

- 2016-011 During our audit of the General Fund, Building Fund, Child Nutrition Fund and Activity Fund, we noted instances where invoices were dated before the purchase orders were approved. All purchase orders must be approved by the purchasing agent to allow any purchase to be made or any order placed. Funds are not to be obligated without authorization by the purchasing agent. Policies should be enforced to follow procedures as provided by law.
- 2016-012 During our audit of the General Fund, we noted instances where purchase orders were not present or were written as a blanket purchase order when the purchases did not qualify to be on a blanket purchase order because the purchases occurred on an irregular basis. An original purchase order should be completed entirely and approved by appropriate personnel prior to any purchase of goods or services being originated. Blanket purchase orders are to be used only for recurring purchases of goods or services such as the utility bills, fuel, postage, rent, etc.
- 2016-013 During our audit of the General Fund, Child Nutrition Fund and Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.
- 2016-014 During our audit of the payroll records, we noted that additional information required to be on W-2 forms was not presented. Before transmittal of W-2 forms at the end of the year, requirements for filing should be reviewed to ensure that all details are included.

The School implemented controls and procedures to correct prior year audit comment numbers 2016-010, 2016-012, and 2016-014. However, there were instances of reoccurrence on prior year audit comment numbers 2016-006, 2016-007, 2016-008, 2016-009, 2016-011, and 2016-013.



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FY 16 Audit Comment Responses

001 - A monthly audit and reconciliation of all federal revenue and expenditure has been adopted and will be adhered to as normal procedure.

002- A monthly audit and reconciliation of all federal revenue and expenditure has been adopted and will be adhered to as normal procedure.

003- The credit card has been cancelled with no future plans to replace.

006- During the time of hiring all extra duty assignments will be included on the contract. As a midyear procedure all contracts will be reviewed to make sure that they are identical to the school personnel records.

007- Staff has been assigned to locating all equipment purchased with federal funds and labeling it properly.

008- A proper inventory recording procedure has been put in place and we are in the process of completing it.

009- Proper protocols for receiving cash and gate and concession monies have been put into place and relayed to those involved. At the beginning of each year these protocols will be reviewed with staff.

010- All monies collected will be forwarded to the custodian on a daily basis. This directive has been reiterated to the staff and will be reviewed at the beginning of the year staff development.

011- The proper purchasing has been reviewed with staff and will continue to be a part of beginning year staff development. Central office personnel have been reminded of the proper procedure will ensure that it is followed.

012- Central office personnel have been reminded of the proper purchasing procedure will ensure that it is followed.

013- Central office personnel have been reminded of the proper purchasing procedure will ensure that it is followed.

014- Additional training for the proper way to fill out W2 forms has been arranged and W2 forms will be reviewed by the superintendent before transmittal.

B1- The employee responsible for contracts and payroll has been replaced. The new employee responsible will receive training as to the proper protocols. Contracts will be reviewed midyear by the personnel director and the superintendent. Time sheets will be maintained correctly in the central office.

Mark Batt
Superintendent