

DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 2

MCCLAIN COUNTY, OKLAHOMA

JUNE 30, 2017

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**DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 1-2, MCCLAIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Dibble Independent School District #2
McClain County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Dibble Independent School District #2**, McClain County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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 of material misstatement.

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

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

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

As discussed in Note 1, the financial statements are prepared by **Dibble Independent School District #2** McClain County, 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 comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not 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 in the above paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Dibble Independent School District #2**, McClain County, Oklahoma, as of June 30, 2017, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of **Dibble Independent School District, #2**, McClain County, Oklahoma as of June 30, 2017, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

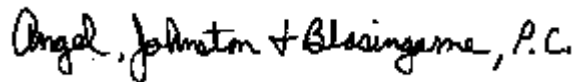
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Dibble Independent School District #2, McClain County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018, on our consideration of the **Dibble Independent School District, #2, McClain County, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Dibble Independent School District, #2, McClain County, Oklahoma's** internal control over financial reporting and compliance.



Chickasha, Oklahoma
January 17, 2018

COMBINED FINANCIAL STATEMENTS

Dibble School District No.1-002, McClain 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)
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2017
Cash and Cash Equivalents	\$ 918,154	\$ 148,997	\$ 12,203	\$ 650,619	\$ 79,464	\$ 0	\$ 1,809,437
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	12,203	12,203
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,062,797	1,062,797
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	5,912,319	5,912,319
Total Assets	\$ 918,154	\$ 148,997	\$ 12,203	\$ 650,619	\$ 79,464	\$ 6,987,319	\$ 8,796,756
 LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 231,185	\$ 17,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 249,102
Reserve for Encumbrances	24,281	0	0	0	0	0	24,281
Due to Activity Groups	0	0	0	0	79,464	0	79,464
General Obligation Bonds Payable	0	0	0	0	0	1,075,000	1,075,000
Capitalized Lease Obligations Payable	0	0	0	0	0	5,912,319	5,912,319
Total Liabilities	\$ 255,466	\$ 17,917	\$ 0	\$ 0	\$ 79,464	\$ 6,987,319	\$ 7,340,166
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 12,203	\$ 0	\$ 0	\$ 0	\$ 12,203
Capital Projects	0	0	0	650,619	0	0	650,619
Building Programs	0	54,279	0	0	0	0	54,279
Child Nutrition Programs	0	76,801	0	0	0	0	76,801
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	662,688	0	0	0	0	0	662,688
Total Fund Balances	\$ 662,688	\$ 131,080	\$ 12,203	\$ 650,619	\$ 0	\$ 0	\$ 1,456,591
Total Liabilities and Fund Balances	\$ 918,154	\$ 148,997	\$ 12,203	\$ 650,619	\$ 79,464	\$ 6,987,319	\$ 8,796,756

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

Dibble School District No.1-002, McClain 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	\$ 652,415	\$ 167,211	\$ 446,160	\$ 0	\$ 1,265,786
Intermediate Sources	113,049	0	0	0	113,049
State Sources	2,817,061	49,355	6	0	2,866,423
Federal Sources	292,179	206,468	0	0	498,647
Non-Revenue Receipts	261	0	450	0	711
<i>Total Revenue Collected</i>	<u>\$ 3,874,965</u>	<u>\$ 423,035</u>	<u>\$ 446,616</u>	<u>\$ 0</u>	<u>\$ 4,744,617</u>
Expenditures Paid:					
Instruction	\$ 2,145,497	\$ 34,132	\$ 0	\$ 0	\$ 2,179,629
Support Services	1,482,020	75,443	0	0	1,557,463
Operation of Non-Instructional Services	14	304,452	0	0	304,465
Facilities Acquisition and Construction	0	0	0	474,448	474,448
Other Outlays	261	0	0	0	261
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	525,000	0	525,000
Interest and Fiscal Agent Fees	0	0	5,250	0	5,250
<i>Total Expenditures Paid</i>	<u>\$ 3,627,792</u>	<u>\$ 414,026</u>	<u>\$ 530,250</u>	<u>\$ 474,448</u>	<u>\$ 5,046,516</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 247,174</u>	<u>\$ 9,009</u>	<u>\$ (83,634)</u>	<u>\$ (474,448)</u>	<u>\$ (301,899)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 15,212</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,212</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 4	\$ 0	\$ 0	\$ 0	\$ 4
Bond Proceeds	0	0	0	1,075,000	1,075,000
Transfers In	2,966	315	0	0	3,281
Transfers Out	(400)	(315)	0	0	(715)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 2,569</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,075,000</u>	<u>\$ 1,077,569</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 264,955</u>	<u>\$ 9,009</u>	<u>\$ (83,634)</u>	<u>\$ 600,552</u>	<u>\$ 790,882</u>
<i>Fund Balance - Beginning of Year</i>	<u>397,734</u>	<u>122,071</u>	<u>95,836</u>	<u>50,067</u>	<u>665,709</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 662,688</u></u>	<u><u>\$ 131,080</u></u>	<u><u>\$ 12,203</u></u>	<u><u>\$ 650,619</u></u>	<u><u>\$ 1,456,591</u></u>

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

Dibble School District No.1-002, McClain 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	\$ 594,143	\$ 594,143	\$ 652,415	\$ 162,606	\$ 162,606	\$ 167,211	\$ 434,414	\$ 434,414	\$ 446,166
Intermediate Sources	101,500	101,500	113,049	0	0	0	0	0	0
State Sources	2,977,847	2,977,847	2,817,061	46,089	46,089	49,355	0	0	0
Federal Sources	167,696	167,696	292,179	211,732	211,732	206,468	0	0	0
Non-Revenue Receipts	0	0	261	0	0	0	0	0	450
<i>Total Revenue Collected</i>	<u>\$ 3,841,187</u>	<u>\$ 3,841,187</u>	<u>\$ 3,874,965</u>	<u>\$ 420,427</u>	<u>\$ 420,427</u>	<u>\$ 423,035</u>	<u>\$ 434,414</u>	<u>\$ 434,414</u>	<u>\$ 446,616</u>
Expenditures Paid:									
Instruction	\$ 4,238,920	\$ 4,238,920	\$ 2,145,497	\$ 34,132	\$ 34,132	\$ 34,132	\$ 0	\$ 0	\$ 0
Support Services	0	0	1,482,020	124,544	124,544	75,443	0	0	0
Operation of Non-Instructional Services	0	0	14	383,903	383,903	304,452	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	261	0	0	0	530,250	530,250	530,250
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
<i>Total Expenditures Paid</i>	<u>\$ 4,238,920</u>	<u>\$ 4,238,920</u>	<u>\$ 3,627,792</u>	<u>\$ 542,579</u>	<u>\$ 542,579</u>	<u>\$ 414,026</u>	<u>\$ 530,250</u>	<u>\$ 530,250</u>	<u>\$ 530,250</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (397,734)	\$ (397,734)	\$ 247,174	\$ (122,151)	\$ (122,151)	\$ 9,009	\$ (95,836)	\$ (95,836)	\$ (83,634)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 15,212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 4	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	2,966	80	80	315	0	0	0
Transfers Out	0	0	(400)	0	0	(315)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,569</u>	<u>\$ 80</u>	<u>\$ 80</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (397,734)	\$ (397,734)	\$ 264,955	\$ (122,071)	\$ (122,071)	\$ 9,009	\$ (95,836)	\$ (95,836)	\$ (83,634)
<i>Fund Balance - Beginning of Year</i>	397,734	397,734	397,734	122,071	122,071	122,071	95,836	95,836	95,836
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 662,688</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 131,080</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,203</u>

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

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Dibble Public Schools Independent District No. 2, McClain 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."

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

1.B. Fund Accounting, Governmental Fund Types, (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, Child Nutrition Fund, and Cooperative 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.

Cooperative Fund - The cooperative fund was established when several schools districts entered into a cooperative agreement to operate an Alternative Education program. The revenues necessary to operate this program come from a Carl Perkins federal grant. The expenditures for this fund consist of those necessary to operate and maintain the joint programs. Dibble school is the LEA for this cooperative 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-2013-2015 Building Bond. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

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.

Dibble ISD No. 2, McClain County
Notes To The 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.

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.
- 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.

Dibble ISD No. 2, McClain County
Notes To The 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)

- 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 recorded 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.

Dibble ISD No. 2, McClain County
Notes To The 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)

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.

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.

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 – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

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.

Dibble ISD No. 2, McClain County
Notes To The 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)

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.

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

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

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.

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	\$	1,809,437
Time Deposits		<u>0</u>
Total Deposits	\$	<u><u>1,809,437</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	\$	1,808,546
Activity Fund Outstanding Checks		<u>891</u>
Total Deposits and Investments	\$	<u><u>1,809,437</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.

Dibble ISD No. 2, McClain County
Notes To The 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 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-rating agencies-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.

Dibble ISD No. 2, McClain County
Notes To The 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 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	Compensated Absences	Total
Balance July 1, 2016	\$ 525,000	\$ 6,316,400	\$ 0	\$ 6,841,400
Additions	1,075,000	0	0	1,075,000
Retirements	525,000	404,081	0	929,081
Balance, June 30, 2017	<u>\$ 1,075,000</u>	<u>\$ 5,912,319</u>	<u>\$ 0</u>	<u>\$ 6,987,319</u>

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 Building Bonds	1.15%	May 1, 2019	\$ 600,000	\$ 600,000
2017 Building Bonds	1.50%	July 1, 2018	475,000	475,000
Totals			<u>\$ 1,075,000</u>	<u>\$ 1,075,000</u>

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 Building Bonds			
2017-18	\$ 0	\$ 0	0
2018-19	475,000	10,925	485,925
Sub Total	\$ 475,000	\$ 10,925	\$ 485,925
2017 Building Bonds			
2017-18	\$	\$ 9,000	\$ 9,000
2018-19	600,000	9,000	609,000
Sub Total	\$ 600,000	\$ 18,000	\$ 618,000
Total Bonds	\$ 1,075,000	\$ 28,925	\$ 1,103,925

Interest expense on bonds payable incurred during the current year totaled \$5,250.00

The District has entered into a ground lease agreement as lessee for financing the construction of new school buildings and also for refinancing the remainder of the existing ground lease and furniture, fixtures, and equipment lease. The District has also entered into lease purchase agreements for the acquisition of copiers. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements 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 leases. The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year Ending June 30</u>	<u>Copiers</u>	<u>Copiers</u>	<u>Arvest Ground Lease</u>	<u>Priority Ground Lease</u>	<u>Total</u>
2018	2,520	6,600	350,000	115,000	474,120
2019	1,470	6,600	360,000	120,000	488,070
2020	0	1,650	375,000	125,000	501,650
2021	0	0	385,000	130,000	515,000
2022	0	0	400,000	135,000	535,000
2023	0	0	415,000	140,000	555,000
2024	0	0	430,000	145,000	575,000
2025	0	0	1,620,000	1,867,702	3,487,702
Total	\$ 3,990	\$ 14,850	\$ 4,335,000	\$ 2,777,702	\$ 7,131,542
Less: Amount Representing Interest Present Value of Future Minimum Lease Payments	-106	-915	-649,542	-568,660	-1,219,223
	\$ 3,884	\$ 13,935	\$ 3,685,458	\$ 2,209,042	\$ 5,912,319

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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, 2017. 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 \$196,805.35, \$220,935, and \$235,219, respectively.

The compensation for employees covered by the System for the year ended June 30, 2017 was \$2,040,031.22; the District's total compensation was \$2,797,726.74. 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 \$13,761.33. There were \$110,261.19 contributions made by employees during the year ended June 30, 2017.

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 4 - Employee Retirement System, (continued)

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.

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 official's liability. The District had the following insurance coverage during the year: Commercial property - \$23,436,450; general liability - \$2,000,000; and educator's liability \$2,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute a percentage of their taxable payroll for unemployment insurance. The funds for each district are kept separate. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

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.

Dibble ISD No. 2, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 8 – Surety Bonds

The District has a Public-School System Faithful Performance Blanket Position Bond with Old Republic Surety Company. The bond number is 1058051, it covers various positions, including the Encumbrance clerk, payroll clerk, activity fund custodian and minutes clerk, for the penal sum of \$1,000 to \$5,000. It covers the period December 27, 2016 to December 27, 2017.

The District has a policy with Old Republic Surety Company bond number LO2112797P that covers the superintendent for the penal sum of \$100,000. It covers the period July 1, 2016 to July 1, 2017

The District has a policy with Western Surety Company bond number 62557782 that covers the treasurer for the penal sum of \$100,000. The treasurer's policy covers the period September 14, 2016 to September 14, 2017.

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

Dibble School District No.1-002, McClain County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2017

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2017</u>
Cash and Cash Equivalents	\$ 55,173	\$ 93,824	\$ 0	\$ 148,997
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 55,173</u>	<u>\$ 93,824</u>	<u>\$ 0</u>	<u>\$ 148,997</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Warrants Payable	\$ 894	\$ 17,023	\$ 0	\$ 17,917
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 894</u>	<u>\$ 17,023</u>	<u>\$ 0</u>	<u>\$ 17,917</u>
Fund Balances:				
Restricted	<u>\$ 54,279</u>	<u>\$ 76,801</u>	<u>\$ 0</u>	<u>\$ 131,080</u>
<i>Total Fund Balances</i>	<u>\$ 54,279</u>	<u>\$ 76,801</u>	<u>\$ 0</u>	<u>\$ 131,080</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 55,173</u>	<u>\$ 93,824</u>	<u>\$ 0</u>	<u>\$ 148,997</u>

Dibble School District No.1-002, McClain 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	Cooperative Fund	Total June 30, 2017
Revenue Collected:				
Local Sources	\$ 89,467	\$ 77,745	\$ 0	\$ 167,211
Intermediate Sources	0	0	0	0
State Sources	1	49,354	0	49,355
Federal Sources	0	172,336	34,132	206,468
Non-Revenue Receipts	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue Collected</i>	\$ 89,468	\$ 299,435	\$ 34,132	\$ 423,035
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 34,132	\$ 34,132
Support Services	75,443	0	0	75,443
Operation of Non-Instructional Services	0	304,452	0	304,452
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	\$ 75,443	\$ 304,452	\$ 34,132	\$ 414,026
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ 14,026	\$ (5,017)	\$ 0	\$ 9,009
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):				
Estopped Warrants	\$ (0)	\$ 0	\$ 0	\$ 0
Transfers In	315	0	0	315
Transfers Out	0	(315)	0	(315)
	<u>0</u>	<u>(315)</u>	<u>0</u>	<u>(315)</u>
<i>Total Other Financing Sources (Uses)</i>	\$ 315	\$ (315)	\$ 0	\$ 0
	<u>0</u>	<u>(315)</u>	<u>0</u>	<u>0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ 14,341	\$ (5,332)	\$ 0	\$ 9,009
<i>Fund Balance - Beginning of Year</i>	39,938	82,133	0	122,071
	<u>39,938</u>	<u>82,133</u>	<u>0</u>	<u>122,071</u>
<i>Fund Balance - End of Year</i>	\$ 54,279	\$ 76,801	\$ 0	\$ 131,080
	<u>54,279</u>	<u>76,801</u>	<u>0</u>	<u>131,080</u>

Dibble School District No.I-002, McClain 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			Cooperative Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 84,606	\$ 84,606	\$ 89,467	\$ 0	\$ 0	\$ 0	\$ 78,000	\$ 78,000	\$ 77,745
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	1	0	0	0	46,089	46,089	49,354
Federal Sources	0	0	0	34,132	34,132	34,132	177,600	177,600	172,336
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 84,606</u>	<u>\$ 84,606</u>	<u>\$ 89,468</u>	<u>\$ 34,132</u>	<u>\$ 34,132</u>	<u>\$ 34,132</u>	<u>\$ 301,689</u>	<u>\$ 301,689</u>	<u>\$ 299,435</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 34,132	\$ 34,132	\$ 34,132	\$ 0	\$ 0	\$ 0
Support Services	124,544	124,544	75,443	0	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0	0	0	383,903	383,903	304,452
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 124,544</u>	<u>\$ 124,544</u>	<u>\$ 75,443</u>	<u>\$ 34,132</u>	<u>\$ 34,132</u>	<u>\$ 34,132</u>	<u>\$ 383,903</u>	<u>\$ 383,903</u>	<u>\$ 304,452</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (39,938)</u>	<u>\$ (39,938)</u>	<u>\$ 14,026</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (82,213)</u>	<u>\$ (82,213)</u>	<u>\$ (5,017)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	315	0	0	0	80	80	0
Transfers Out	0	0	0	0	0	0	0	0	(315)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80</u>	<u>\$ 80</u>	<u>\$ (315)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (39,938)</u>	<u>\$ (39,938)</u>	<u>\$ 14,341</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (82,133)</u>	<u>\$ (82,133)</u>	<u>\$ (5,332)</u>
<i>Fund Balance - Beginning of Year</i>	<u>39,938</u>	<u>39,938</u>	<u>39,938</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>82,133</u>	<u>82,133</u>	<u>82,133</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 54,279</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 76,801</u></u>

**Dibble School District No.1-002, McClain 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	\$ 79,464
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 79,464</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>79,464</u>
<i>Total Liabilities</i>	<u>\$ 79,464</u>
Fund Equity:	
Unassigned	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 79,464</u>

Dibble School District No.1-002, McClain 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
801 FOOTBALL	\$ 4,169	\$ 28,188	\$ 30,985	\$ 1,371
802 BOYS BASKETBALL	2,568	17,575	13,331	6,812
803 GIRLS BASKETBALL	3,331	11,343	12,749	1,924
805 BOYS BASEBALL	0	5,800	5,682	118
806 GIRLS SOFTBALL	834	180	544	469
807 GENERAL ATHLETICS	7,024	40,988	33,705	14,307
819 GENERAL ACTIVITY	1,786	1,429	2,160	1,054
896 ADVANCED PLACEMENT TESTING	93	0	0	93
897 CLASS OF 2020	0	2,792	794	1,998
901 PETTY CASH/HIGH SCHOOL	0	1,568	1,568	0
903 LIBRARY	1,789	6,866	6,184	2,471
904 GENERAL REFUND	0	316	316	0
906 NAT'L HONOR SOCIETY	722	3,238	2,907	1,053
908 SPANISH CLUB	296	138	0	433
910 CLASS OF 2018	1,435	5,281	2,377	4,339
912 CLASS 2019	1,611	1,902	248	3,265
914 SPECIAL EDUCATION ACTIVITY	350	386	382	355
915 DEEP	2,067	1,687	1,428	2,327
916 CLASS OF 2017	3,861	2,950	6,811	0
919 CLASS OF 2021	183	0	0	183
923 FCCLA	3,003	16,658	16,207	3,454
924 FFA	11,075	58,766	62,040	7,801
925 SCIENCE	350	271	427	194
946 CHEERLEADERS/HIGH SCHOOL	780	7,258	6,623	1,415
947 CHEERLEADERS/JR. HIGH	1,482	2,784	3,866	400
951 PTO ELEM. ACTIVITY	2,338	1,849	1,288	2,898
956 YEARBOOK	4,891	4,579	4,345	5,125
963 F.U.N.	53	0	0	53
964 JOHNSON O'MALLEY	2,272	746	2,554	464
965 PETTY CASH/ELEMENTARY	0	527	527	0
966 ELEMENTARY	5,292	20,459	22,006	3,744
968 BAND	1,825	2,114	1,634	2,305
969 MUSIC	766	0	0	766
970 GATE/CONCESSION CHANGE BOX	455	0	0	455
971 FELLOWSHIP OF CHRISTIAN ATHLET	113	0	0	113
972 HS STUDENT COUNCIL	(883)	7,024	5,475	666
975 AMERICAN SIGN LANGUAGE	0	10	0	10
976 CAMP GODDARD	2,798	6,443	5,740	3,500
978 MIDDLE SCHOOL ACTIVITY ACCT	3,001	1,950	2,254	2,698
979 CENTRAL OFFICE ACTIVITY ACCT	693	648	790	551
984 JH STUDENT COUCIL	278	0	0	278
Total Activities	\$ 72,700	\$ 264,708	\$ 257,945	\$ 79,464

DIBBLE INDEPENDENT SCHOOL DISTRICT NO. 2, MCCLAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2016	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2017
U.S. Department of Education						
Direct Programs:						
Indian Education Title VII	84.060A	561	0	24,771	24,781	(10)
Passed Through Oklahoma State Department of Education:						
Title I, Basic	84.010	511	(9,449)	113,183	127,633	(23,899)
Title II,A - Transferability	84.010	511	0			0
Title I Cluster			(9,449)	113,183	127,633	(23,899)
IDEA-B, Project Echo	84.027	615	0			0
IDEA-B Flowthrough	84.027	621	0	103,568	103,568	0
ARRA IDEA B, Flow Through	84.391A	622	0			0
IDEA-B Preschool	84.173	641	0	1,858	1,858	0
Special Education Cluster			0	105,426	105,426	0
Title II, Part A,	84.367	541	9,503	28,906	14,456	23,953
Title II, Part B,	84.366	542	0	2,344	3,091	(747)
Title VI, Subpart 2, Rural & Low Income	84.358B	587	0	13,837	13,837	0
Passed through Oklahoma Dept. of Vocational Ed:						
Carl Perkins Consortium	84.048	423	0	34,132	34,132	0
Total U.S. Department of Education			0	322,599	323,356	0
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Breakfast Program	10.553	764	29,622	47,494	70,157	6,959
Lunch Program	10.555	763	29,191	124,842	154,485	(452)
Commodities Distributed-Lunch (Note 2)	10.565	N/A	0	21,067	21,067	0
Child Nutrition Cluster			58,813	193,403	245,709	6,507
Total U.S. Department of Agriculture			58,813	193,403	245,709	6,507
U.S. Department of Interior						
Passed through Bureau of Indian Affairs:						
Johnson O'Malley	15.130	563	0	3,712	3,712	0
Total U.S. Department of Interior			0	3,712	3,712	0
TOTAL FEDERAL ASSISTANCE			58,813	519,714	572,777	6,507

Dibble ISD No. 2, McClain County
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School 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 selected portion of the operations of the School, it is not intended and does not present the financial position, changes in net assets or cash flows of the School.

Note 2 – Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except for nonmonetary assistance noted in Note 3. 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. The School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 – Food Distribution – Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

The Honorable Board of Education
Dibble Independent School District #002
McClain County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis, within the combined financial statements of **Dibble Independent School District #002**, McClain County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated January 17, 2018. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Dibble Independent School District #002**, McClain County, 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 below, that we consider to be significant deficiencies.

2017-001 Finding

Statement of Condition – During our testing of Bus Driver payroll, we noted that bus drivers are not signing the Bus Route Daily Sheet form indicating that they drove the bus routes noted on the form.

Criteria – Employees should sign timesheet forms agreeing with the bus routes driven during the period.

Cause/Effect of Condition – There is not an employee signature line on the Bus Route Daily Sheet form. This could result in incorrect amount being paid to employees.

Recommendation – We recommend that an employee signature line be added to the Bus Route Daily Sheet form in order for the employees to initial or sign the form.

Compliance and Other Matters

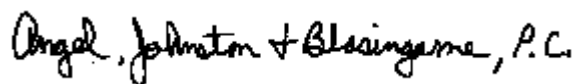
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dibble Independent School District #002, Oklahoma's, Response to Findings

Dibble Independent School District #002, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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



Chickasha, Oklahoma
January 17, 2018

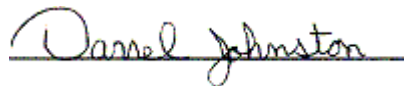
OTHER INFORMATION

Dibble ISD No. 2, McClain County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2017

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Dibble Independent School District* for the audit year 2016-17.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2018.

Notary Public

My Commission Expires July 1, 2018

Dibble ISD No. 2, McClain County
Summary of Prior Year Audit Findings
Year Ended June 30, 2017

2016-1 Finding

Statement of Condition –There is a lack of segregation of duties in the activity fund account. The Activity Fund custodian deposits the money, issues warrants and reconciles the account.

Criteria–A good system of internal control provides for a proper segregation of the accounting functions.

Cause/Effect of Condition –The District has a small number of employees that perform the duties which would normally be divided among a large number of employees. This precludes the adequate segregation of duties and could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Recommendation –The board should assess the advantages of segregating the accounting function in order to determine whether hiring additional personnel would be cost effective.

Current Status – This was corrected in the 2016-17 audit.

2016-2 Finding

Statement of Condition –The District did not pay federal matching teacher retirement on salaries for the cook. We estimate the underpayment of the federal matching to be approximately \$1,808.00.

Criteria–The teacher retirement system requires the school to pay an 8.25% matching contribution on salaries paid with federal funds.

Cause/Effect of Condition – Project codes were not set up to allocate the correct amount of Teacher Retirement in the accounting software. This resulted in an underpayment of Teacher Retirement.

Recommendation –The District should contact teacher retirement to discuss how to remit the underpaid amounts. In addition, the District needs to make sure its software is setup correctly to properly withhold teacher retirement in the future.

Current Status - This was corrected in the 2016-17 audit.

2016-3 Finding

Statement of Condition –Chad Clanton (Superintendent) also is a substitute bus driver and fills out time sheets for the time spent driving a bus. There was no signature from Mr. Clanton, nor was there a signature from anyone else approving that time worked.

Criteria–There needs to be a signature of someone approving the time sheets in order to confirm the correct hours were worked.

Cause/Effect of Condition –There isn't a signature line on the Monthly Absent/Substitute Report form. This could result in incorrect hours being paid to employees by the District.

Recommendation –The employee and someone else should sign the time sheets prior to payments being made.

Current Status - This was corrected in the 2016-17 audit.

2016-4 Finding

Statement of Condition –During our test of the Superintendent's payroll contract, we noted the District did not provide an amended contract to the State Department to include his substitute bus driver duties.

Criteria–Title 70 Section 5-141 of the Oklahoma Statutes states “...The school District shall not be authorized to pay any salary, benefits or other compensation to a superintendent which are not specified in the contract on file at the State Department of Education...”

Cause/Effect of Condition – Management was not aware of this requirement. The school was not in compliance with Oklahoma Statutes.

Recommendation – We recommend the school submit an amended contract to the State Department of Education whenever amounts are paid in addition to the amounts on the original contract.

Current Status - This was corrected in the 2016-17 audit.

2016-5 Finding

Statement of Condition –During the transaction testing in Goods and Services it was noted one purchase order to Southwest Paper Inc. for \$6,320.28 was ordered in May 2015, but purchased with 15-16 year funds

Criteria– Goods and services should be paid for out of the same year funds as they were ordered.

Cause/Effect of Condition –Paying for goods and services out of the incorrect fund year causes the fund balance to be overstated. The goods were ordered in May 2015, but were paid on July 31, 2015 out of 15-16 year funds.

Recommendation – Goods and services should be paid for funds out of the year in which it was ordered.

Current Status - This was corrected in the 2016-17 audit.

SCHOOL'S CORRECTIVE ACTION PLAN

DIBBLE PUBLIC SCHOOL DISTRICT

McCLAIN COUNTY

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR: 2016-2017

AUDIT FINDING REFERENCE NUMBER: 2017-001

DESCRIPTION OF FINDING: During the testing of Bus Driver payroll, it was noted that the bus drivers are not signing the Bus Route Daily Sheet form indicating that they drove the route on the form.

CONTACT PERSON: Chad Clanton

STEPS IMPLEMENTED: The Personnel Clerk has created a spreadsheet that illustrates the routes/days of all bus trips. There is a section of the spreadsheet where drivers and/or the Transportation Director are required to acknowledge via signature that the route was completed by the corresponding employee. This procedure also accounts for substitute bus drivers.

COMPLETION DATE: March, 2017

A handwritten signature in black ink, appearing to read "Chad Clanton", is located at the bottom left of the page.