

REPORT OF AUDIT
FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

OFFICIALS

| | |
|---------------------|----------------|
| ELDON EAGAN | PRESIDENT |
| KERRY REGIER | VICE-PRESIDENT |
| GREGGORY MCREYNOLDS | CLERK |
| LYNNETTA STOUT | MEMBER |
| TERYL LEISHER | MEMBER |
| NAN VAN FREDENBERG | TREASURER |
| TRAVIS SMALTS | SUPERINTENDENT |

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

TABLE OF CONTENTS

| | |
|---|---|
| SCHOOL DISTRICT OFFICIALS | PAGE 1 |
| TABLE OF CONTENTS | PAGES 2 & 3 |
| INDEPENDENT AUDITOR'S REPORT | PAGES 4 - 6 |
| COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES REGULATORY BASIS – ALL FUND TYPES AND ACCOUNT GROUPS – | EXHIBIT A |
| COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES REGULATORY BASIS – ALL GOVERNMENTAL FUND TYPES – | EXHIBIT B |
| COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – REGULATORY BASIS – BUDGETED GOVERNMENTAL FUND TYPES – | EXHIBIT C |
| NOTES TO FINANCIAL STATEMENTS | PAGES 7 - 14 |
| COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES REGULATORY BASIS – ALL SPECIAL REVENUE FUNDS | SCHEDULE A-1 |
| COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES REGULATORY BASIS –SPECIAL REVENUE FUNDS – | SCHEDULE B-1 |
| COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – REGULATORY BASIS – SPECIAL REVENUE FUNDS | SCHEDULE C-1 |
| FEDERAL SCHEDULES SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS | SCHEDULE 1-00 |
| SCHOOL ACTIVITY FUND REVENUES, EXPENDITURES AND BALANCES RECONCILIATION STATEMENT CASH STATEMENT | SCHEDULE 2-00 SCHEDULE 2-01 SCHEDULE 2-02 |
| MISCELLANEOUS ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE | SCHEDULE 3-00 |
| 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 | PAGES 15 & 16 |

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

TABLE OF CONTENTS

PAGE 2

| | |
|---|---------|
| SCHEDULE OF FINDINGS | PAGE 17 |
| DISPOSITION OF PRIOR YEAR FINDINGS | PAGE 18 |
| CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS | PAGE 19 |
| PRIOR YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS | PAGE 20 |

Chas. W. Carroll, P.A.

Independence Tower -- Suite 406
302 N. Independence

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Forgan School District #I-123
Beaver County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Forgan School District #I-123, Beaver County, Oklahoma, as of and for the year ended June 30, 2016, 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 regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Forgan School District #I-123, Beaver County, Oklahoma on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 my 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 first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof 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 or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Forgan School District #I-123, Beaver County, Oklahoma, as of June 30, 2016, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements-regulatory basis within the combined financial statements. The combining fund statements-regulatory basis and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements-regulatory basis of the District.

The combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures, of federal awards, are fairly stated in all material respects in relation to the combined financial statements-regulatory basis taken 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*, I have also issued my report dated February 20, 2017, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Chas. W. Carroll, P.A.".

Chas. W. Carroll, P.A.
February 20, 2017

Forgan School District No.1-123, Beaver County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2016

EXHIBIT A

| | Governmental Fund Types | | | | | Fiduciary Fund Types | Account Group | June 30, 2016 | Total (Memorandum Only) |
|---|-------------------------|-------------------|-------------------|------------------|------------------|----------------------|-------------------------------|---------------|-------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Trust and Agency | | | | |
| ASSETS | | | | | | | General Long-Term Debt | | |
| Cash and Cash Equivalents | \$ 713,942 | \$ 741,127 | \$ 118,252 | \$ 1,799 | \$ 62,834 | \$ 0 | \$ 0 | \$ 1,637,953 | |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Amounts Available in Debt Service Fund | 0 | 0 | 0 | 0 | 0 | 0 | 118,252 | 118,252 | |
| Amounts to be Provided for Retirement of General Long-Term Debt | 0 | 0 | 0 | 0 | 0 | 0 | 1,748 | 1,748 | |
| Amounts to be Provided For Capitalized Lease Agreements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Assets | \$ 713,942 | \$ 741,127 | \$ 118,252 | \$ 1,799 | \$ 62,834 | \$ 120,000 | \$ 1,757,953 | | |

LIABILITIES AND FUND BALANCES

| | | | | | | | | | | | | | | | |
|---------------------------------------|----|---------|---------|---------|---------|---------|---------|-------|-------|--------|--------|---------|---------|---------|-----------|
| Liabilities: | | | | | | | | | | | | | | | |
| Warrants Payable | \$ | 147,799 | \$ | 6,907 | \$ | 0 | \$ | 0 | \$ | 3,307 | \$ | 0 | \$ | 158,013 | |
| Reserve for Encumbrances | | 31,394 | | 0 | | 0 | | 1,023 | | 0 | | 0 | | 32,417 | |
| Due to Activity Groups | | 0 | | 0 | | 0 | | 0 | | 59,527 | | 0 | | 59,527 | |
| General Obligation Bonds Payable | | 0 | | 0 | | 0 | | 0 | | 0 | | 120,000 | | 120,000 | |
| Capitalized Lease Obligations Payable | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | |
| Total Liabilities | | \$ | 179,192 | \$ | 6,907 | \$ | 0 | \$ | 1,023 | \$ | 62,834 | \$ | 120,000 | \$ | 369,956 |
| Fund Balances: | | | | | | | | | | | | | | | |
| Restricted For: | | | | | | | | | | | | | | | |
| Debt Service | \$ | 0 | \$ | 0 | \$ | 118,252 | \$ | 0 | \$ | 0 | \$ | 0 | \$ | 118,252 | |
| Capital Projects | | 0 | | 0 | | 0 | | 775 | | 0 | | 0 | | 775 | |
| Building Programs | | 0 | | 706,814 | | 0 | | 0 | | 0 | | 0 | | 706,814 | |
| Child Nutrition Programs | | 0 | | 27,406 | | 0 | | 0 | | 0 | | 0 | | 27,406 | |
| Cooperative Programs | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | |
| Unassigned | | 534,750 | | 0 | | 0 | | 0 | | 0 | | 0 | | 534,750 | |
| Total Fund Balances | | \$ | 534,750 | \$ | 734,220 | \$ | 118,252 | \$ | 775 | \$ | 0 | \$ | 0 | \$ | 1,387,997 |
| Total Liabilities and Fund Balances | | \$ | 713,942 | \$ | 741,127 | \$ | 118,252 | \$ | 1,799 | \$ | 62,834 | \$ | 120,000 | \$ | 1,757,953 |

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

Forgan School District No. I-123, Beaver 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, 2016

EXHIBIT B

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | June 30, 2016 |
| Revenue Collected: | | | | | |
| Local Sources | \$ 1,099,404 | \$ 156,341 | \$ 105,566 | \$ 0 | \$ 1,361,312 |
| Intermediate Sources | 68,745 | 0 | 0 | 0 | 68,745 |
| State Sources | 425,903 | 10,153 | 59 | 0 | 436,115 |
| Federal Sources | 84,581 | 59,438 | 0 | 0 | 144,019 |
| Non-Revenue Receipts | 2,655 | 0 | 0 | 0 | 2,655 |
| Total Revenue Collected | \$ 1,681,289 | \$ 225,933 | \$ 105,624 | \$ 0 | \$ 2,012,846 |
| Expenditures Paid: | | | | | |
| Instruction | \$ 1,145,957 | \$ 0 | \$ 0 | \$ 0 | \$ 1,145,957 |
| Support Services | 653,204 | 154,125 | 0 | 3,534 | 810,864 |
| Operation of Non-Instructional Services | 91,885 | 64,550 | 0 | 0 | 156,435 |
| Facilities Acquisition and Construction | 0 | 0 | 0 | 0 | 0 |
| Other Outlays | 2,650 | 0 | 0 | 0 | 2,650 |
| 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 | 110,000 | 0 | 110,000 |
| Interest and Fiscal Agent Fees | 0 | 0 | 1,210 | 0 | 1,210 |
| Total Expenditures Paid | \$ 1,893,697 | \$ 218,675 | \$ 111,210 | \$ 3,534 | \$ 2,227,116 |
| Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances | \$ (212,408) | \$ 7,258 | \$ (5,586) | \$ (3,534) | \$ (214,270) |
| Adjustments to Prior Year Encumbrances | \$ 0 | \$ 750 | \$ 0 | \$ 0 | \$ 750 |
| Other Financing Sources (Uses): | | | | | |
| Estopped Warrants | \$ 959 | \$ (0) | \$ 0 | \$ 0 | \$ 959 |
| Bond Proceeds | 0 | 0 | 0 | 0 | 0 |
| Transfers In | 0 | 24,796 | 0 | 0 | 24,796 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 959 | \$ 24,796 | \$ 0 | \$ 0 | \$ 25,754 |
| Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses) | \$ (211,449) | \$ 32,804 | \$ (5,586) | \$ (3,534) | \$ (187,766) |
| Fund Balance - Beginning of Year | 746,199 | 701,416 | 123,838 | 4,310 | 1,575,763 |
| Fund Balance - End of Year | \$ 534,750 | \$ 734,220 | \$ 118,252 | \$ 775 | \$ 1,387,997 |

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

Forgan School District No.1-123, Beaver 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, 2016

EXHIBIT C

| | 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 | \$ 1,072,083 | \$ 1,072,083 | \$ 1,099,404 | \$ 153,049 | \$ 153,049 | \$ 156,341 | \$ 108,692 | \$ 108,692 | \$ 105,624 |
| Intermediate Sources | 85,275 | 85,275 | 68,745 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Sources | 558,598 | 558,598 | 425,903 | 8,604 | 8,604 | 10,153 | 0 | 0 | 0 |
| Federal Sources | 38,469 | 38,469 | 84,581 | 29,482 | 29,482 | 59,438 | 0 | 0 | 0 |
| Non-Revenue Receipts | 0 | 0 | 2,555 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue Collected | \$ 1,754,425 | \$ 1,754,425 | \$ 1,681,289 | \$ 191,135 | \$ 191,135 | \$ 225,933 | \$ 108,692 | \$ 108,692 | \$ 105,624 |
| Expenditures Paid: | | | | | | | | | |
| Instruction | \$ 1,643,643 | \$ 1,643,643 | \$ 1,145,957 | \$ 0 | \$ 0 | 0 | \$ 0 | \$ 0 | 0 |
| Support Services | 784,620 | 784,620 | 653,204 | 847,674 | 847,674 | 154,125 | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 57,360 | 57,360 | 91,885 | 70,841 | 70,841 | 64,550 | 0 | 0 | 0 |
| Facilities Acquisition and Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Outlays | 15,000 | 15,000 | 2,650 | 0 | 0 | 0 | 232,530 | 232,530 | 111,210 |
| 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 | \$ 2,500,624 | \$ 2,500,624 | \$ 1,893,697 | \$ 918,515 | \$ 918,515 | \$ 218,675 | \$ 232,530 | \$ 232,530 | \$ 111,210 |
| Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances | \$ (746,199) | \$ (746,199) | \$ (212,408) | \$ (727,380) | \$ (727,380) | \$ 7,258 | \$ (123,838) | \$ (123,838) | \$ (5,586) |
| Adjustments to Prior Year Encumbrances | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 750 | \$ 0 | \$ 0 | \$ 0 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Estopped Warrants | \$ 0 | \$ 0 | \$ 959 | \$ 0 | \$ 0 | (0) | \$ 0 | \$ 0 | 0 |
| Transfers In | 0 | 0 | 0 | 25,963 | 25,963 | 24,796 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ 959 | \$ 25,963 | \$ 25,963 | \$ 24,796 | \$ 0 | \$ 0 | \$ 0 |
| Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses) | \$ (746,199) | \$ (746,199) | \$ (211,449) | \$ (701,416) | \$ (701,416) | \$ 32,804 | \$ (123,838) | \$ (123,838) | \$ (5,586) |
| Fund Balance - Beginning of Year | 746,199 | 746,199 | 746,199 | 701,416 | 701,416 | 701,416 | 123,838 | 123,838 | 123,838 |
| Fund Balance - End of Year | \$ (0) | \$ (0) | \$ 534,750 | \$ (0) | \$ (0) | \$ 734,220 | \$ 0 | \$ 0 | \$ 118,252 |

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

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Forgan School District #I-123 have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. 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.

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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Fund Description

The following funds are utilized by the Forgan School District #I-123.

Governmental Fund Types -

General Fund
Special Revenue Funds
Debt Service Fund
Capital Projects Fund

Fiduciary Fund Types –

Agency Fund

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).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs which includes the Child Nutrition Program.

Special Revenue Funds – The Special Revenue Funds are the District's Building Fund and Child Nutrition 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. The Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with the daily operations of the district's nutrition program.

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.

Capital Project Fund – The Capital Project Funds are the District's Bond Funds and are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing, and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund – The Agency Fund is the school Activity 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. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

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.

NOTES TO FINANCIAL STATEMENTS

PAGE 3

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 (OSDE). This format is essentially the generally accepted form of presentation used by State and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education 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.
- * Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

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

A budget is legally adopted by the Board of Education for the General Fund, Special Revenue Funds, and Capital Project Funds that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the District.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

E. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FORGAN SCHOOL DISTRICT #1-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

PAGE 4

F. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

The value of consumable inventories at June 30, 2016 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances.

The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The District has elected not to present a liability for compensated absences.

Operating Leases

The District has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the District does not consider the obligation to be for a period extending beyond the current fiscal year.

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.

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. 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. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2016 is set forth below:

\$450,000.00 Transportation Bonds of 2011

| Payment Date | Principal | Rate | Interest | Total |
|--------------|---------------------|-------|------------------|---------------------|
| 1 Dec 16 | <u>\$120,000.00</u> | 1.10% | <u>\$ 660.00</u> | <u>\$120,660.00</u> |
| | \$120,000.00 | | \$ 660.00 | \$120,660.00 |

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

PAGE 5

Cash Fund Balance

Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

Safeguard of Deposits and Investments

The District's investments policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit and Investments- Custodian Credit Risk – The District's cash deposits and investments at June 30, 2016, were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name. The District's cash deposits and investments at June 30, 2016, are classified in the following categories:

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

| | <u>Category</u> | | | <u>Bank</u> |
|---------------------------|---------------------|------------------------|----------------|------------------------|
| | <u>(A)</u> | <u>(B)</u> | <u>(C)</u> | <u>Balance</u> |
| Cash and cash equivalents | \$ 250,000.00 | \$ 1,387,953.00 | \$ 0.00 | \$ 1,637,953.00 |
| Investments | 0.00 | 0.00 | 0.0 | 0.00 |
| Total | <u>\$250,000.00</u> | <u>\$ 1,387,953.00</u> | <u>\$ 0.00</u> | <u>\$ 1,637,953.00</u> |

G. Revenue, Expenses and Expenditures

State Revenues

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical program. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Property Tax Revenue

The District is authorized by state law to levy property taxes which consists 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 the 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.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Government Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from 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 professional standards, 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 years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public School Unemployment Compensation Program. In this program, the District is required to make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

NOTES TO FINANCIAL STATEMENTS

PAGE 7

Surety Bonds

District and Activity

Nan Van Fredengerg, District Treasurer, is bonded with the Western Surety Company, in the amount of \$50,000.00. The bond number is 69797627, dated October 1, 2015 to October 1, 2016.

Travis Smalts, Superintendent, is bonded with the Western Surety Company, in the amount of \$100,000.00. The bond number is 70753923, dated July 1, 2015 to July 1, 2016.

The District maintains a Public Employees Honesty Bond with the Western Surety Company, in the amount of \$10,000.00. The bond number is 68372415, dated August 6, 2015 to August 6, 2016. The positions covered are as follows:

1. Activity/Lunch Fund Custodian
2. Encumbrance Clerk
3. Minutes Clerk

3. Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). 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 educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System.

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. 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 an independent financial report, 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.

A Participant with 5 years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service.

A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The 2015-16 contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2016. An additional 8.25% of compensation is required for federal grants. 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 member is 7% up to a maximum compensation level.

Employee Retirement System (continued)

The total contributions for employees of Forgan School District #I-123 covered by the System for the year 2016, 2015 and 2014 were \$179,264.71, \$181,437.44 and \$169,582.16, respectively.

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 the 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 non-funded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2015, is as follows:

| | |
|--|-------------------------|
| Total pension obligation | \$20,692,630,888 |
| Net assets available for benefits, at cost | <u>13,771,884,292</u> |
| Non-funded pension benefit obligation | <u>\$ 6,920,746,596</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.

4. Subsequent Events

Management has evaluated subsequent events through February 20, 2017, which is the date the financial statements were available to be issued.

Forgan School District No.1-123, Beaver County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2016

SCHEDULE A-1

ASSETS

| | <u>Building Fund</u> | <u>Child Nutrition Fund</u> | <u>Total June 30, 2016</u> |
|---------------------------|--------------------------|-------------------------------------|------------------------------------|
| Cash and Cash Equivalents | \$ 713,721 | \$ 27,406 | \$ 741,127 |
| Investments | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Total Assets</i> | <u>\$ 713,721</u> | <u>\$ 27,406</u> | <u>\$ 741,127</u> |

LIABILITIES AND FUND BALANCES

Liabilities:

| | | | |
|--------------------------|-----------------|-------------|-----------------|
| Warrants Payable | \$ 6,907 | \$ 0 | \$ 6,907 |
| Reserve for Encumbrances | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>\$ 6,907</u> | <u>\$ 0</u> | <u>\$ 6,907</u> |

Fund Balances:

| | | | |
|----------------------------|-------------------|------------------|-------------------|
| Restricted | \$ 706,814 | \$ 27,406 | \$ 734,220 |
| <i>Total Fund Balances</i> | <u>\$ 706,814</u> | <u>\$ 27,406</u> | <u>\$ 734,220</u> |

| | | | |
|--|-------------------|------------------|-------------------|
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 713,721</u> | <u>\$ 27,406</u> | <u>\$ 741,127</u> |
|--|-------------------|------------------|-------------------|

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

Forgan School District No.1-123, Beaver 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, 2016

SCHEDULE B-1

| | <u>Building Fund</u> | <u>Child Nutrition Fund</u> | <u>Total June 30, 2016</u> |
|--|--------------------------|-------------------------------------|------------------------------------|
| Revenue Collected: | | | |
| Local Sources | \$ 156,277 | \$ 64 | \$ 156,341 |
| Intermediate Sources | 0 | 0 | 0 |
| State Sources | 9,287 | 866 | 10,153 |
| Federal Sources | 0 | 59,438 | 59,438 |
| Non-Revenue Receipts | 0 | 0 | 0 |
| <i>Total Revenue Collected</i> | <u>\$ 165,565</u> | <u>\$ 60,368</u> | <u>\$ 225,933</u> |
| Expenditures Paid: | | | |
| Instruction | \$ 0 | \$ 0 | \$ 0 |
| Support Services | 154,125 | 0 | 154,125 |
| Operation of Non-Instructional Services | 0 | 64,550 | 64,550 |
| 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>\$ 154,125</u> | <u>\$ 64,550</u> | <u>\$ 218,675</u> |
| <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i> | <u>\$ 11,439</u> | <u>\$ (4,181)</u> | <u>\$ 7,258</u> |
| Adjustments to Prior Year Encumbrances | <u>\$ 750</u> | <u>\$ 0</u> | <u>\$ 750</u> |
| Other Financing Sources (Uses): | | | |
| Estopped Warrants | \$ (0) | \$ 0 | \$ (0) |
| Transfers In | 0 | 24,796 | 24,796 |
| Transfers Out | 0 | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>\$ (0)</u> | <u>\$ 24,796</u> | <u>\$ 24,796</u> |
| <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i> | <u>\$ 12,189</u> | <u>\$ 20,614</u> | <u>\$ 32,804</u> |
| <i>Fund Balance - Beginning of Year</i> | <u>694,625</u> | <u>6,792</u> | <u>701,416</u> |
| <i>Fund Balance - End of Year</i> | <u>\$ 706,814</u> | <u>\$ 27,406</u> | <u>\$ 734,220</u> |

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

Forgan School District No.1-123, Beaver 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, 2016

SCHEDULE C-1

| | Building Fund | | | Child Nutrition Fund | | | Total |
|---|---------------------|---------------------|-------------------|----------------------|--------------------|-------------------|---------------------|
| | Original Budget | Final Budget | Actual | Original Budget | Final Budget | Actual | |
| Revenue Collected: | | | | | | | |
| Local Sources | \$ 153,049 | \$ 153,049 | \$ 156,277 | \$ 0 | \$ 0 | \$ 64 | \$ 153,049 |
| Intermediate Sources | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Sources | 0 | 0 | 9,287 | 8,604 | 8,604 | 866 | 8,604 |
| Federal Sources | 0 | 0 | 0 | 29,482 | 29,482 | 59,438 | 29,482 |
| Non-Revenue Receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue Collected | \$ 153,049 | \$ 153,049 | \$ 165,565 | \$ 38,086 | \$ 38,086 | \$ 60,368 | \$ 191,135 |
| Expenditures Paid: | | | | | | | |
| Instruction | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Support Services | 847,674 | 847,674 | 154,125 | 0 | 0 | 0 | 847,674 |
| Operation of Non-Instructional Services | 0 | 0 | 0 | 70,841 | 70,841 | 64,550 | 70,841 |
| 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 | \$ 847,674 | \$ 847,674 | \$ 154,125 | \$ 70,841 | \$ 70,841 | \$ 64,550 | \$ 918,515 |
| Excess of Revenues Collected Over (Under) | | | | | | | |
| Expenditures Paid Before Adjustments to | \$ (694,625) | \$ (694,625) | \$ 11,439 | \$ (32,755) | \$ (32,755) | \$ (4,181) | \$ (727,380) |
| Prior Year Encumbrances | \$ 0 | \$ 0 | \$ 750 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Adjustments to Prior Year Encumbrances | \$ 0 | \$ 0 | \$ 750 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Other Financing Sources (Uses): | | | | | | | |
| Estopped Warrants | \$ 0 | \$ 0 | \$ (0) | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Transfers In | 0 | 0 | 0 | 25,963 | 25,963 | 24,796 | 25,963 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ (0) | \$ 25,963 | \$ 25,963 | \$ 24,796 | \$ 25,963 |
| Excess (Deficiency) of Revenue Collected | | | | | | | |
| Over Expenditures Paid and Other Financing | \$ (694,625) | \$ (694,625) | \$ 12,189 | \$ (6,792) | \$ (6,792) | \$ 20,614 | \$ (701,416) |
| Sources (Uses) | \$ 694,625 | \$ 694,625 | \$ 694,625 | \$ 6,792 | \$ 6,792 | \$ 6,792 | \$ 701,416 |
| Fund Balance - Beginning of Year | \$ 0 | \$ 0 | \$ 706,814 | \$ (0) | \$ (0) | \$ 27,406 | \$ (0) |
| Fund Balance - End of Year | \$ 0 | \$ 0 | \$ 706,814 | \$ (0) | \$ (0) | \$ 27,406 | \$ (0) |

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

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY - OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALLOCATIONS & EXPENDITURES
07/01/15 TO 06/30/16

SCHEDULE 1-00

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH GRANTOR NUMBER | PROGRAM AWARD AMOUNT | REVENUE (ACCRUED) OR DEFERRED JULY 1, 2015 | FEDERAL REVENUE RECOGNIZED | FEDERAL DISBURSEMENTS/ EXPENDITURES | REVENUE (ACCRUED) OR DEFERRED JUNE 30, 2016 | INDIRECT COST |
|--|---------------------------|---------------------------------------|----------------------------|---|----------------------------------|---|--|------------------|
| U.S. Department of Education - Direct Programs - Title VI Part B | 84.358A | 588 | \$25,330.31 | (\$9,360.69) | \$30,226.05 | \$25,330.31 | (\$4,464.95) | \$0.00 |
| Passed Through State Department of Education - Title I, Basic | 84.010 | 511 | \$32,842.68 | (16,736.77) | 16,736.77 | 27,762.97 | (27,762.97) | 0.00 |
| Title II Pt A | 84.367 | 541/586 | \$7,862.73 | (63.29) | 63.29 | 6,171.24 | (6,171.24) | 0.00 |
| IDEA-B Flow Through | 84.027 | 621 | \$30,822.75 | (32,000.39) | 32,000.39 | 27,412.89 | (27,412.89) | 0.00 |
| IDEA-B Preschool | 84.173 | 641 | \$743.32 | (754.00) | 754.00 | 252.00 | (252.00) | 0.00 |
| Special Education Cluster | | | | (32,754.39) | 32,754.39 | 27,664.89 | (27,664.89) | 0.00 |
| U.S. Department of Agriculture - Passed Through State Department of Education - Child Nutrition Cluster: | | | | | | | | |
| Non-Cash Assistance(Commodities): | | | | | | | | |
| National School Lunch Program | 10.565 | N/A | \$4,014.57 | 0.00 | 4,014.57 | 4,014.57 | 0.00 | 0.00 |
| Cash Assistance: | | | | | | | | |
| National School Lunch Program | 10.555 | 763 | \$43,374.65 | 0.00 | 43,374.65 | 43,374.65 | 0.00 | 0.00 |
| School Breakfast Program | 10.553 | 764 | \$16,063.53 | 0.00 | 16,063.53 | 16,063.53 | 0.00 | 0.00 |
| Total Cash Assistance | | | | 0.00 | 59,438.18 | 59,438.18 | 0.00 | 0.00 |
| Total Food Program Cluster | | | | 0.00 | 63,452.75 | 63,452.75 | 0.00 | 0.00 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | | (\$58,915.14) | \$143,233.25 | \$150,382.16 | (\$66,064.05) | \$0.00 |

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District Policy is to expend Child Nutrition Federal, State and Local revenues in that order during each fiscal year. If there are any unexpended Federal or State funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition Cluster for Commodities represents a nonmonetary value of the food commodities received from only the 2016 Fiscal Year allocation. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount.

NOTE 4: Indirect Cost Included in total expenditures.

NOTE 5: The amount shown on this Schedule 1-00 as received for Commodities from DHS from Form RPT097 (FY'16) is not the same as the amount provided to the State Department of Education by DHS.

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

SCHEDULE 2-00

Forgan School District #1-123
Beaver County-Oklahoma
School Activity Fund
Revenues, Expenditures and Balances
07/01/15 TO 06/30/16

| ACCOUNT | 07/01/15 | REVENUES | ADJUSTMENTS | TRANSFERS | EXPENDITURES | 06/30/16 |
|-------------------------------|----------|-----------|-------------|-----------|--------------|-----------|
| Refund Subaccount | \$0.00 | \$542.08 | | | \$542.08 | \$0.00 |
| Athletics | 9,230.47 | 13,992.95 | 563.70 | | 12,117.92 | 11,669.20 |
| Music | 990.67 | 1,024.69 | | | 1,040.05 | 975.31 |
| Yearbook | 7,752.14 | 1,535.00 | | | 4,323.92 | 4,963.22 |
| Academic Achievement Awards | 65.00 | 0.00 | | | 0.00 | 65.00 |
| Technology Newspaper | 2,286.37 | 0.00 | | | 1,309.28 | 977.09 |
| Pep Club/HS Cheerleaders | 447.09 | 413.90 | | | 705.10 | 155.89 |
| Letter F | 131.57 | 642.25 | | | 625.25 | 148.57 |
| PAC | 1,821.24 | 5,708.28 | 910.00 | | 6,283.75 | 2,155.77 |
| 5-6 and 7-8 Cheerleaders | 22.53 | 300.00 | 159.90 | | 294.95 | 187.48 |
| Concession Stand | 377.45 | 14,176.61 | | | 11,293.93 | 3,260.13 |
| Teacher Supplies | 483.64 | 0.00 | | | 136.00 | 347.64 |
| Video Edition | 209.06 | 0.00 | | | 0.00 | 209.06 |
| Tuition | 216.14 | 0.00 | | | 0.00 | 216.14 |
| Library Memorial Fund | 1,598.05 | 4,745.34 | | | 4,652.42 | 1,690.97 |
| FCA | 639.56 | 0.00 | | | 0.00 | 639.56 |
| National Honor Society | 258.08 | 911.50 | | | 677.20 | 492.38 |
| National Junior Honor Society | 96.36 | 0.00 | | | 0.00 | 96.36 |
| Daily Lunch Collections | 0.00 | 25,075.40 | 11.45 | | 25,086.85 | 0.00 |
| Woodworking/Technology | 2,458.61 | 3,915.72 | | | 3,226.74 | 3,147.59 |
| Girls Athletic Fundraisers | 487.39 | 2,645.03 | | | 2,177.53 | 954.89 |
| Boys Basketball Fundraiser | 353.80 | 5,003.00 | | | 4,866.50 | 490.30 |
| Pre Kindergarten | 406.64 | 2,218.01 | | | 2,015.12 | 609.53 |
| Kindergarten | 1,463.40 | 317.50 | | | 612.99 | 1,167.91 |
| 1st Grade | 527.29 | 1,373.75 | 273.02 | | 1,401.87 | 772.19 |
| 2nd Grade | 1,048.94 | 4,289.00 | 10.00 | | 4,748.06 | 599.88 |
| 3rd Grade | 701.74 | 750.70 | | | 938.07 | 514.37 |
| 4th Grade | 753.64 | 2,977.00 | | | 3,173.21 | 557.43 |
| 5th Grade | 246.50 | 3,684.15 | | | 3,792.19 | 138.46 |

CONTINUED ON PAGE 2

Forgan School District #1-123
 Beaver County-Oklahoma
 School Activity Fund
 Revenues, Expenditures and Balances
 07/01/13 TO 06/30/14

SCHEDULE 2-00
 PAGE 2

| ACCOUNT | 07/01/15 | REVENUES | ADJUSTMENTS | TRANSFERS | EXPENDITURES | 06/30/16 |
|----------------------------------|-------------|--------------|-------------|-----------|--------------|-------------|
| 6th Grade | 1,254.98 | 3,457.00 | | | 4,062.55 | 649.43 |
| Class of 2017-Juniors | 1,015.25 | 6,444.70 | | | 6,466.59 | 993.36 |
| Class of 2016-Seniors | 1,020.01 | 0.00 | | | 299.07 | 720.94 |
| Class of 2019-9th | 0.00 | 395.00 | | | 0.00 | 395.00 |
| Class of 2018-10th | 634.00 | 353.00 | | | 0.00 | 987.00 |
| HS Girls Softball Fundraiser | 988.35 | 0.00 | | | 0.00 | 988.35 |
| Forgan 4-H | 12,747.78 | 6,794.98 | | | 8,221.65 | 11,321.11 |
| Middle School Reading Fundraiser | 491.06 | 0.00 | | | 0.00 | 491.06 |
| Boys Football Fundraiser | 581.92 | 0.00 | | | 0.00 | 581.92 |
| Counselor | 572.73 | 0.00 | | | 99.99 | 472.74 |
| Academic Team | 1,129.42 | 1,694.00 | | | 921.73 | 1,901.69 |
| Learning Lab | 174.29 | 0.00 | | | 0.00 | 174.29 |
| Physical Education Fundraiser | 948.08 | 0.00 | | | 0.00 | 948.08 |
| Art Class Fundraiser | 218.91 | 0.00 | | | 0.00 | 218.91 |
| Track and Cross Country | 617.25 | 0.00 | | | 557.02 | 60.23 |
| STUCO | 1,617.71 | 6,873.86 | | | 7,071.22 | 1,420.35 |
| TOTALS | \$59,085.11 | \$122,254.40 | \$1,928.07 | \$0.00 | \$123,740.80 | \$59,526.78 |

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

Forgan School District #I-123
Beaver County-Oklahoma
School Activity Fund
Reconciliation Statement
07/01/15 TO 06/30/16

DEPOSITORY

| | DETAIL | TOTALS |
|------------------|-------------|-------------|
| CASH | | |
| | \$62,833.54 | |
| TOTAL DEPOSITORY | | \$62,833.54 |

FUND

| | | |
|--------------------------|-------------|-------------|
| LEDGER BALANCE | \$59,526.78 | |
| ADD: 2015-16 OUTSTANDING | \$3,196.76 | |
| 2012-13 OUTSTANDING | \$110.00 | |
| TOTAL DEPOSITORY | | \$62,833.54 |

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

SCHEDULE 2-02

Forgan School District #1-123
Beaver County-Oklahoma
School Activity Fund
Cash Statement
07/01/15 TO 06/30/16

| | TOTAL | 2015-16 | 2014-15 | 2013-14 | PRIOR | INVESTMENTS |
|--------------------------------|-------------|-------------|------------|----------|------------|-------------|
| BEGINNING CASH AND INVESTMENTS | | | | | | |
| | \$66,357.24 | \$59,085.11 | \$5,356.96 | \$575.70 | \$1,339.47 | \$0.00 |
| <u>REVENUES</u> | | | | | | |
| DEPOSITS | 122,183.40 | 122,183.40 | 0.00 | 0.00 | 0.00 | 0.00 |
| ESTOPPED CHECKS | 0.00 | 1,928.07 | (122.90) | (575.70) | (1,229.47) | 0.00 |
| INTEREST | 71.00 | 71.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| REDEPOSITS | 23.00 | 23.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL REVENUES | 122,277.40 | 124,205.47 | (122.90) | (575.70) | (1,229.47) | 0.00 |
| <u>EXPENDITURES</u> | | | | | | |
| CHECKS PAID | 125,743.10 | 120,509.04 | 5,234.06 | 0.00 | 0.00 | 0.00 |
| RET CKS/RET CK CHGS | 58.00 | 58.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL EXPENDITURES | 125,801.10 | 120,567.04 | 5,234.06 | 0.00 | 0.00 | 0.00 |
| ENDING BALANCES | \$62,833.54 | \$62,723.54 | \$0.00 | \$0.00 | \$110.00 | \$0.00 |

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

FORGAN SCHOOL DISTRICT #I-23
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

SCHEDULE 3-00

STATE OF OKLAHOMA)
COUNTY OF GARFIELD)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Forgan School District #I-23, Beaver County, Oklahoma, for the audit year 2015-2016.

Chas. W. Carroll, P.A.
Auditing Firm

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 10th day of February, 2017.

Ram S. Melvin
Notary Public

My Commission Expires January 29, 2020



Chas. W. Carroll, P.A.

Independence Tower – Suite 406
302 N. Independence

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

INDEPENDENT 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
Forgan School District #I-123
Beaver County, Oklahoma

I 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 of the Forgan School District #I-123, Beaver County, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated February 20, 2017, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was qualified for the omission for general fixed asset account groups 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 my audit, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 District'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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.

Compliance and Other Matters (continued)

However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as items B-1, B-2, B-3 and B-4.

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 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.

Sincerely,

A handwritten signature in cursive script, reading "Chas. W. Carroll, P.A.", written in dark ink.

Chas. W. Carroll, P.A.
February 20, 2017

FORGAN SCHOOL DISTRICT #1-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

SCHEDULE OF FINDINGS
JUNE 30, 2016

Section 1 – Summary of Auditor's Results

No reportable conditions, either material or immaterial, were noted or brought to my attention during the 2015-2016 fiscal year.

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2016

No matters were reported.

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS
JUNE 30, 2016

Specific Administrative Controls

Internal Control

B-1 Federal Program Coding

The applicable expenditures utilized by the District for the following federal program was not the same as reported to the State Department of Education and the Oklahoma Cost Accounting System (OCAS) as follows:

| <u>Federal Program</u> | <u>Applicable Program Expenditures</u> | <u>Program Expenditures Reported on OCAS</u> | <u>Over/Under Reported on OCAS</u> |
|------------------------------------|--|--|------------------------------------|
| Rural Ed Achievement Program (588) | \$25,330.31 | \$26,725.79 | \$1,395.48 |

Proper coding is required in order to track the District's actual federal expenditures associated with each program. The eligible expenditures are reported on Schedule 1-000 (SEFA) of this report.

B-2 Activity Fund Receipting Procedures

During my testing of the Activity fund receipting procedures, I noted several collections given to the Fund Custodian, which were not supported by individual receipts or student rosters identifying who the sponsor had received the revenue from.

Oklahoma State Department of Education Policies and Procedures require that pre-numbered school activity fund receipts be issued for every sub-account for each fiscal year.

Some Sponsors did not follow school procedures, therefore, receipts were not issued for all collections.

I recommend all sponsors issue receipts as money is collected.

B-3 Admission Tickets

During my audit I was informed that the District was not using admission tickets to account for admission fees to enter various competitive and fundraising activities of the District.

Oklahoma Cost Accounting System Policy and Procedures state that "All tickets not sold by the gatekeeper(s) should be accounted for at the end of each event and written reconciliation made of tickets sold to actual revenue collected. Reconciliation documents should be filed in date order as part of the documentation for the activity fund".

B-4 Invoice Documentation

Expenditures tested during my audit of the Student Activity Fund did not always have signed invoices attached to purchase orders or requisitions. In some cases there were no invoices to support the expenditure. All invoices are required to be signed by a District employee which verifies that services or materials have been received and the invoice is eligible for payment. Also, no expenditure is to be made until a properly documented invoice is attached to the purchase order or requisition.

FORGAN SCHOOL DISTRICT #I-123
BEAVER COUNTY – OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS
JUNE 30, 2016

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous year's audit report".