

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

**INSIGHT SCHOOL OF OKLAHOMA, INC.  
dba  
INSIGHT SCHOOL OF OKLAHOMA NO. Z-4,  
OKLAHOMA COUNTY, OKLAHOMA**

**JUNE 30, 2016**



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

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4  
OKLAHOMA COUNTY, OKLAHOMA  
JUNE 30, 2016**

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**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4  
OKLAHOMA COUNTY, OKLAHOMA  
JUNE 30, 2016**

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**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4  
OKLAHOMA COUNTY, OKLAHOMA  
SCHOOL OFFICIALS  
JUNE 30, 2016**

BOARD OF EDUCATION

President	DeAnna Gwatney
Secretary	Veronica McGowan
Treasurer	James Smith
Member	Amy Henderson
Member	Lealon Taylor

HEAD OF SCHOOL

Sheryl Tatum

BUSINESS MANAGER

Abe Barela

TREASURER

David Harp



## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Insight School of Oklahoma No. Z-004  
Midwest City, Oklahoma 73130

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements-regulatory basis of the governmental activities, each major fund and the aggregate remaining fund information of Insight School of Oklahoma No. Z-004, Midwest City, Oklahoma (the "District") as of and for the year ended June 30, 2016, which collectively comprise the District basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

As discussed in Note 1, the financial statements are prepared by the Insight School of Oklahoma No. Z-004, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although reasonably determined, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because the significance of the matter discussed in the previous paragraph, the basic financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of the Insight School of Oklahoma No. Z-004, Oklahoma County, Oklahoma as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended.

**Basis for Qualified Opinion on Regulatory Basis of Accounting**

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

**Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the preceding paragraph, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-regulatory basis of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position-regulatory basis for the year then ended on the regulatory basis of accounting described in Note 1.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements, regulatory basis, listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

November 4, 2016

**NOTES TO THE COMBINED FINANCIAL STATEMENTS –  
REGULATORY BASIS**

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2016**

	<u>GOVERNMENTAL FUND TYPES</u>	<u>FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND</u>	<u>TOTALS (MEMO. ONLY)</u>
<u>ASSETS</u>	<u>GENERAL</u>		
Cash	\$ 466,439	638	467,077
Total assets	<u>466,439</u>	<u>638</u>	<u>467,077</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	27,083		27,083
Encumbrances	429,102		429,102
Funds held for school organizations		638	638
Total liabilities	<u>456,185</u>	<u>638</u>	<u>456,823</u>
Fund balances			
Restricted for:			
Unassigned	10,254		10,254
Total fund balances	<u>10,254</u>		<u>10,254</u>
Total liabilities and fund balances	<u>\$ 466,439</u>	<u>638</u>	<u>467,077</u>

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

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 CASH FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2016**

	<u>GOVERNMENTAL FUND TYPES</u>
	<u>GENERAL</u>
Revenues	
Local sources	\$          1,669
State sources	1,511,945
Federal sources	125,490
Total revenues	<u>          1,639,104</u>
 Expenditures	
Instruction	1,249,913
Support services	388,645
Total expenditures	<u>          1,638,558</u>
 Revenues over (under) expenditures	 546
 Other financing sources (uses)	
Bank fees	(143)
Estopped warrants	8,690
Lapsed appropriations	76
In-kind contribution	291,878
Non-categorical - See Note 4	(291,878)
Total other financing sources (uses)	<u>                  8,623</u>
 Revenue and other sources over (under) expenditures and other uses	  9,169
 Cash fund balance, beginning of year	  <u>                  1,085</u>
 Cash fund balance, end of year	  <u><u>                  \$          10,254</u></u>

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

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2016**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ -	-	1,669
State sources	1,362,065	1,362,065	1,511,945
Federal sources	74,824	74,824	125,490
Total revenues	1,436,889	1,436,889	1,639,104
Expenditures			
Instruction			1,249,913
Support services			388,645
Non-categorical	1,437,974	1,437,974	
Total expenditures	1,437,974	1,437,974	1,638,558
Revenues over (under) expenditures	(1,085)	(1,085)	546
Other financing sources (uses)			
Bank fees			(143)
Estopped warrants			8,690
Lapsed appropriations			76
Total other financing sources (uses)			8,623
Revenue and other sources over (under) expenditures and other uses	(1,085)	(1,085)	9,169
Cash fund balance, beginning of year	1,085	1,085	1,085
Cash fund balance, end of year	\$ -	-	10,254

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

**COMBINED FINANCIAL STATEMENTS –  
REGULATORY BASIS**

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**1. Summary of Significant Accounting Policies**

The accompanying financial statements of the Insight School of Oklahoma No. Z-4 (the "School") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The School's accounting policies are described in the following notes that are an integral part of the School's financial statements. The School has adopted the Governmental Accounting Standards Board (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefines the fund balance classifications from the previous two (2) into a possible five (5) classifications.

***A. Reporting Entity***

The School is a not for profit corporation in the State of Oklahoma filed with the Secretary of State as Insight School of Oklahoma on October 23, 2015. The School is recognized by the Internal Revenue Service as an exempt organization under section 501(c)(3) of the Internal Revenue Service Code.

The School 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 School is the Board of Education composed of appointed members. The appointed Head of Schools is the executive officer of the School.

In evaluating how to define the School, 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

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

*A. Reporting Entity-* contd.

component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School and/or its citizens, or whether the activity is conducted within the geographic boundaries of the School 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 School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the School's reporting entity, however, the school does have related parties.

*B. Measurement Focus*

The accounts of the School are organized and operate on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School has the following fund type:

**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). Basis of accounting refers to when the revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. These practices differ from generally accepted accounting principles.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

***B. Measurement Focus*** - contd.

Governmental funds include the following fund type:

General Fund – is the primary operating fund of the School. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include state funding passed through Choctaw-Nicoma Park School District, and various local sources and state grants. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs. When the School incurs an expense for which it may use either restricted or unrestricted funds, it uses restricted resources first.

**Fiduciary Fund Types**

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

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

***C. Basis of Accounting and Presentation***

The School prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

***C. Basis of Accounting and Presentation*** – contd.

The 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 are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.

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.

***D. Assets, Liabilities, Cash Fund Balance, Revenues and Expenditures***

Deposits and Investments – State statutes govern the School’s investment policy. 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; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

Fair Value of Financial Instruments – The School’s financial instruments include cash and investments. The School’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

***D. Assets, Liabilities, Cash Fund Balance, Revenues and Expenditures-*** contd.

Estimates – The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inter-fund Transactions – Inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

Inventories – Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the School's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

Fixed Assets – The regulatory basis of accounting prescribed by the Oklahoma State Board of Education does not require the presentation of a General Fixed Asset Account Group. As a result, the School has not maintained a record of its general fixed assets, and, accordingly, a statement of general fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Cash Fund Balance Classifications –

Restricted Cash Fund Balance – Cash fund balance should be reported as restricted when constraints placed on the use of resources are either;

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Unassigned Cash Fund Balance – Unassigned cash fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

***D. Assets, Liabilities, Cash Fund Balance, Revenues and Expenditures-*** contd.

specific purposes within the general fund.

Local Revenues – Local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

State and Per Capita 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 schools. For purposes of funding, a charter school is considered a site within the school district in which the charter school is located. A charter school is to receive from the sponsoring district, the state aid revenue generated by its students for the applicable year,

less up to 5% of the total, which may be retained by the sponsoring school district as a fee for the administrative services rendered.

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

The aforementioned state revenues are apportioned to the School's general fund. State revenues received indirectly from Choctaw-Nicoma Park School District are shown in the report as "State sources."

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

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

***D. Assets, Liabilities, Cash Fund Balance, Revenues and Expenditures-*** contd.

as the state. Entitlement is the amount of payment to which the School is entitled pursuant to an allocation formula contained in applicable statutes. There were no federal revenues received by the School in the current fiscal year.

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

for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the School or a third party administrator.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

*D. Assets, Liabilities, Cash Fund Balance, Revenues and Expenditures-* contd.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from School funds.

2. **Stewardship, Compliance and Accountability**

**Budgetary Information**

The School is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to underperformed 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 Fund of the School. Purchase orders or contracts document encumbrance for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. **Detailed Notes Concerning the Funds**

**Deposits and Investments**

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the School 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 School's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the School holds investments that are

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**3. Detailed Notes Concerning the Funds-contd**

*Deposits and Investments – contd.*

uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the School's name.

The School'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 obligations of the state, municipalities, counties, and schools 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 School must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2016, the School held deposits of approximately \$467,077 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The School has no policy that limits its investment choices other than the limitation of state law that generally authorize investment in:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances,

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**3. Detailed Notes Concerning the Funds-contd**

*Deposits and Investments – contd.*

- prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The School did not have any investments at June 30, 2016.

**4. Other Information**

**A. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**B. Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**C. Employee Retirement System and Plan**

The School has chosen not to participate in the Oklahoma Teacher's Retirement System.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

4. **Other Information-contd.**

**D. Related Parties**

All officers of the School are employees of K12, Inc. (K12). K12 provides certain services to the School (see Note 4-F). The School makes payments to K12 for educational products, professional services and reimbursements (see Note 4-F). A provision in the K12 agreement provides for the issuance of accommodation credits to ensure the School does not end a fiscal year in a negative net asset position. At June 30, 2016, in-kind contributions (see Note 4-E) were \$291,878, which was the net result of the total billed amount from K12 of \$1,765,538 less payments made of \$1,046,697 and reserve for encumbrances of \$426,963.

**E. In-kind Contributions**

As mentioned in the related party note above (see Note 4-D), the School has an agreement with K12, whereby, if the total expenditures exceed the amount of funds available, the related party, K12, will issue a “deficit credit” or what is referred to in the financial pages as an in-kind contribution for the amount of expenditures that would cause the School to go into a fund balance deficit. Any excess expenditure owed to the related party is thus forgiven.

**F. Commitments**

Management Agreement – On July 1, 2015, the School entered into an annual agreement with K12 to provide management and technology services. The fee for the management and technology services is based on a percentage of qualified revenues. The rates in effect for the year ended June 30, 2016 were 15% for management services and 7% for technology services – for a total of 22% of qualified revenues. K12 also provides materials, curriculum, and computers to the school.

**G. Subsequent Events**

Management has evaluated subsequent events through the report date which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY  
INFORMATION - REGULATORY BASIS**

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Assets					
Cash	<u>\$ -</u>	<u>1,143</u>	<u>-</u>	<u>505</u>	<u>638</u>
Liabilities					
Funds held for student organizations					
Prom	<u>-</u>	<u>1,143</u>	<u>-</u>	<u>505</u>	<u>638</u>
Total Liabilities	<u>\$ -</u>	<u>1,143</u>	<u>-</u>	<u>505</u>	<u>638</u>

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/01/2015	Revenue Collected	Total Expenditures	Ending Balance 6/30/2016
<u>U.S. Department of Education</u>							
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010	511	\$ 66,588		57,159	66,588	(9,429)
Title I-Part A, Improving Basic Programs 2014-15 - Note 1	84.010	799		(14,900)	14,900		
Title II-Part A, Teacher & Principal Training	84.367	541	10,383		7,393	8,958	(1,565)
Title II-Part A 2014-15 - Note 1	84.367	799		(1,172)	1,172		
Special Education, Flowthrough, P.L. 105-17	84.027	621	40,807		36,960	40,807	(3,847)
Special Education, Flowthrough 2014-15 - Note 1	84.027	799		(7,906)	7,906		
<b>Subtotal - Passed Through State Dept. of Education</b>			<u>117,778</u>	<u>(23,978)</u>	<u>125,490</u>	<u>116,353</u>	<u>(14,841)</u>
<b>Total Federal Assistance</b>			<u>\$ 117,778</u>	<u>(23,978)</u>	<u>125,490</u>	<u>116,353</u>	<u>(14,841)</u>

Note 1 - Project number 799 refers to revenues received from prior-year programs.

Note 2 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
SCHEDULE OF SURETY BONDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Superintendent	601081527	\$100,000	9/18/15-9/18/16
	Treasurer	601080582	\$100,000	8/21/15-8/21/16
	Encumbrance Clerk	601066883	\$50,000	9/19/15-9/19/16
	Activity Fund Custodian	601091390	\$10,000	5/29/16-5/29/17
	Minutes Clerk	601080141	\$10,000	8/18/15-8/18/16



**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  
Insight School of Oklahoma School District No. Z-004  
Midwest City, Oklahoma 73130

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information-regulatory basis, of Insight School of Oklahoma School District No. Z-004, Midwest City, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016. This report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

November 4, 2016

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
SCHEDULE OF FINDINGS  
JULY 1, 2015 TO JUNE 30, 2016**

**Findings – Financial Statement Audit**

None.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2015 TO JUNE 30, 2016**

None.

**INSIGHT SCHOOL OF OKLAHOMA NO. Z-4, OKLAHOMA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2015 TO JUNE 30, 2016**

State of Oklahoma    )  
County of Tulsa       )

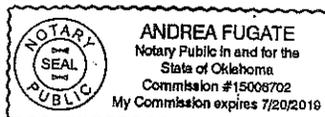
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Insight School of Oklahoma for the audit year 2015-16.

Jenkins & Kemper, CPAs, P.C.  
AUDITING FIRM

BY *[Signature]*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
7<sup>th</sup> day of, November, 2016

*Andrea Fugate*  
NOTARY PUBLIC



Joy Hofmeister  
State Superintendent of Public Instruction  
Oklahoma State Department of Education  
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name Insight School of Oklahoma District Number Z-4  
County Name Oklahoma County Code 55

Audit Year: 2015-16

The annual independent audit for the Insight School of Oklahoma  
(District Name)  
was presented to the Board of Education in an Open Board Meeting on 11/17/2016  
(Date of Meeting)  
by Jenkins & Kemper, CPAs, P.C.  
(Independent Auditor) Jenkins & Kemper  
(Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Sheryl Atten  
Superintendent of Schools  
Debra Swadney  
Board of Education President

Board of Education Vice President  
Veronica M. Gowa  
Board of Education Member - Vice President  
Amy Skender  
Board of Education Member  
Caitlin Taylor  
Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Subscribed and sworn before me on 11/17/2016  
(Sworn On)

Courtney Love  
(Notary Public)

My Commission expires 12/16/17



\*\*\* A copy of the Board Agenda and Board Minutes with the approval of the audit must accompany the audit. \*\*\*