

AUDIT REPORT

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09

CLAREMORE, ROGERS COUNTY, OKLAHOMA

JULY 1, 2014 THROUGH JUNE 30, 2015

AUDITED BY

ALAN CHAPMAN

CERTIFIED PUBLIC ACCOUNTANT

401 S. WATER STREET

TAHLEQUAH, OKLAHOMA

**JUSTUS-TIAWAH SCHOOL DISTRICT CO09
ROGERS COUNTY, OKLAHOMA
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Justus-Tiawah School District CO09
Claremore, Rogers County, Oklahoma

I have audited the accompanying combined financial statements - regulatory basis - of Justus-Tiawah School District No. CO09, Rogers County, Oklahoma as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2015.

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 requirements 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

My responsibility is to express an opinion 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 *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 includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 opinion on 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 adverse and qualified opinions.

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

As discussed in Note 1, these combined financial statements are prepared on a regulatory basis of accounting conforming with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statement resulting from the use of their regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America although not reasonably determined, 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 paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Justus-Tiawah School District No. CO09, Rogers County, Oklahoma, as of June 30, 2015, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

However, in my opinion, except for the effects of the omission of the general fixed assets account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances - regulatory basis of the Justus-Tiawah School District C009, Rogers County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, in accordance with 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 reported dated September 29, 2015, on my consideration of the Justus-Tiawah School District No. CO09, Rogers County, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*, and should be considered in assessing the results of my audit.

Other Matters

My audit was conducted for the purpose of forming an opinion on the fund type and account group with the combined financial statements. The combining fund statements and schedules and other schedules as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Justus-Tiawah School District CO09.

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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

September 29, 2015

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

COMBINED FINANCIAL STATEMENTS

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2015

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	Note 1) 2015
ASSETS							
Cash and Investments	\$ 507,887.80	\$ 236,418.11	\$ 235,031.22	\$ 1,079,724.16	\$ 40,257.53	\$ -	\$ 2,099,318.82
Amount Available in Debt Service Fund	-	-	-	-	-	235,031.22	235,031.22
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-	1,729,968.78	1,729,968.78
Amount to be Provided for Capitalized Lease Agreements	-	-	-	-	-	-	-
Total Assets	\$ 507,887.80	\$ 236,418.11	\$ 235,031.22	\$ 1,079,724.16	\$ 40,257.53	\$ 1,965,000.00	\$ 4,064,318.82
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 96,445.94	\$ 11,379.53	\$ -	\$ 57,289.08	\$ -	\$ -	\$ 165,114.55
Due to Others	-	-	-	-	40,257.53	-	40,257.53
General Obligation Bonds Payable	-	-	-	-	-	1,965,000.00	1,965,000.00
Capitalized Lease Obligations Payable	-	-	-	-	-	-	-
Total Liabilities	96,445.94	11,379.53	-	57,289.08	40,257.53	1,965,000.00	2,170,372.08
Fund Balances:							
Designated for Capital Projects	-	-	-	1,022,435.08	-	-	1,022,435.08
Designated for Debt Service	-	-	235,031.22	-	-	-	235,031.22
Undesignated	411,441.86	225,038.58	-	-	-	-	636,480.44
Total Fund Balances	411,441.86	225,038.58	235,031.22	1,022,435.08	-	-	1,893,946.74
Total Liabilities and Fund Balances	\$ 507,887.80	\$ 236,418.11	\$ 235,031.22	\$ 1,079,724.16	\$ 40,257.53	\$ 1,965,000.00	\$ 4,064,318.82

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2015

	Governmental Fund Types				Total (Memorandum Only Note 1) 2015
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Local Sources	\$ 51,149.20	\$ 87,815.36	\$ 248.10	\$ -	\$ 139,212.66
Intermediate Sources	1,127,022.16	144,278.31	471,687.55	920,832.73	2,663,820.75
State Sources	1,530,314.49	3,131.86	-	-	1,533,446.35
Federal Sources	223,316.92	86,338.48	-	-	309,655.40
Total Revenues Collected	<u>2,931,802.77</u>	<u>321,564.01</u>	<u>471,935.65</u>	<u>920,832.73</u>	<u>4,646,135.16</u>
EXPENDITURES:					
Instruction	2,132,291.14	15,874.00	-	-	2,148,165.14
Support Services	745,078.75	172,234.23	-	-	917,312.98
Non-Instructional Services	79,422.86	174,318.06	-	-	253,740.92
Capital Outlay	10,905.00	3,000.00	-	741,190.15	755,095.15
Other Outlays	46.00	-	-	-	46.00
Debt Service:					
Principal Retirement	-	-	495,000.00	-	495,000.00
Interest and Fiscal Agent Charges	-	-	17,522.50	-	17,522.50
Total Expenditures	<u>2,967,743.75</u>	<u>365,426.29</u>	<u>512,522.50</u>	<u>741,190.15</u>	<u>4,586,882.69</u>
Other Financing Sources (Uses):					
Bond Sale Proceeds	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	<u>(35,940.98)</u>	<u>(43,862.28)</u>	<u>(40,586.85)</u>	<u>179,642.58</u>	<u>59,252.47</u>
Adjustments to Prior Year Encumbrances	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(35,940.98)</u>	<u>(43,862.28)</u>	<u>(40,586.85)</u>	<u>179,642.58</u>	<u>59,252.47</u>
Beginning Fund Balances	<u>447,382.84</u>	<u>268,900.86</u>	<u>275,618.07</u>	<u>842,792.50</u>	<u>1,834,694.27</u>
Ending Fund Balances	<u>\$ 411,441.86</u>	<u>\$ 225,038.58</u>	<u>\$ 235,031.22</u>	<u>\$ 1,022,435.08</u>	<u>\$ 1,893,946.74</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
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, 2015

	General Fund			Special Revenue Funds (Building and Child Nutrition Only)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES COLLECTED:						
Local sources	\$ -	\$ -	\$ 51,149.20	\$ -	\$ -	\$ 87,815.36
Intermediate sources	1,024,033.82	1,024,033.82	1,127,022.16	130,604.87	130,604.87	144,278.31
State sources	1,506,054.47	1,506,054.47	1,530,314.49	2,762.31	2,762.31	3,131.86
Federal sources	<u>59,085.87</u>	<u>59,085.87</u>	<u>223,316.92</u>	<u>66,658.28</u>	<u>66,658.28</u>	<u>86,338.48</u>
Total revenues collected	<u>2,589,174.16</u>	<u>2,589,174.16</u>	<u>2,931,802.77</u>	<u>200,025.46</u>	<u>200,025.46</u>	<u>321,564.01</u>
EXPENDITURES PAID:						
Instruction	2,166,457.00	2,166,457.00	2,132,291.14	20,000.00	20,000.00	15,874.00
Support services	775,000.00	775,000.00	745,078.75	316,798.17	316,798.17	172,234.23
Non-instructional services	80,000.00	80,000.00	79,422.86	129,128.15	129,128.15	174,318.06
Capital outlays	15,000.00	15,000.00	10,905.00	3,000.00	3,000.00	3,000.00
Other outlays	<u>100.00</u>	<u>100.00</u>	<u>46.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures paid	<u>3,036,557.00</u>	<u>3,036,557.00</u>	<u>2,967,743.75</u>	<u>468,926.32</u>	<u>468,926.32</u>	<u>365,426.29</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(447,382.84)</u>	<u>(447,382.84)</u>	<u>(35,940.98)</u>	<u>(268,900.86)</u>	<u>(268,900.86)</u>	<u>(43,862.28)</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(447,382.84)	(447,382.84)	(35,940.98)	(268,900.86)	(268,900.86)	(43,862.28)
Fund balance, beginning of year	<u>447,382.84</u>	<u>447,382.84</u>	<u>447,382.84</u>	<u>268,900.86</u>	<u>268,900.86</u>	<u>268,900.86</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,441.86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,038.58</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
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, 2015

	<u>Debt Service</u>			<u>Capital Projects</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>REVENUES COLLECTED:</u>						
Local sources	\$ 248.10	\$ 248.10	\$ 248.10	\$ -	\$ -	\$ -
Intermediate sources	471,687.55	471,687.55	471,687.55	920,832.73	920,832.73	920,832.73
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total revenues collected	<u>471,935.65</u>	<u>471,935.65</u>	<u>471,935.65</u>	<u>920,832.73</u>	<u>920,832.73</u>	<u>920,832.73</u>
<u>EXPENDITURES PAID:</u>						
Capital Outlay	-	-	-	741,190.15	741,190.15	741,190.15
Principial Retirement	495,000.00	495,000.00	495,000.00	-	-	-
Interest and Fiscal Agent Charges	<u>17,522.50</u>	<u>17,522.50</u>	<u>17,522.50</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures paid	<u>512,522.50</u>	<u>512,522.50</u>	<u>512,522.50</u>	<u>741,190.15</u>	<u>741,190.15</u>	<u>741,190.15</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(40,586.85)</u>	<u>(40,586.85)</u>	<u>(40,586.85)</u>	<u>179,642.58</u>	<u>179,642.58</u>	<u>179,642.58</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(40,586.85)	(40,586.85)	(40,586.85)	179,642.58	179,642.58	179,642.58
Fund balance, beginning of year	<u>275,618.07</u>	<u>275,618.07</u>	<u>275,618.07</u>	<u>842,792.50</u>	<u>842,792.50</u>	<u>842,792.50</u>
Fund balance, end of year	<u>\$ 235,031.22</u>	<u>\$ 235,031.22</u>	<u>\$ 235,031.22</u>	<u>\$ 1,022,435.08</u>	<u>\$ 1,022,435.08</u>	<u>\$ 1,022,435.08</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Justus-Tiawah School District No. CO09 (the "District") have been prepared on a regulatory basis of accounting which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 accounting policies are prescribed by the Oklahoma Department of Education and conform to the system of accounting authorized by the State of Oklahoma. The following is a summary of more significant accounting policies.

A. REPORTING ENTITY

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

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

The Board of School Trustees (Board), an elected three member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

public school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The General Fund includes federal and state restricted monies that must be expended for specific programs.

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - The first Special Revenue Fund is the District's Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

The second Special Revenue Fund is the Child Nutrition Fund, a Special Revenue Fund used to account for monies derived from federal and state reimbursement and local food service collections. This fund is used to account for the various nutrition programs provided to the students.

Debt Service Fund - The Debt Service Fund is the District's Sinking Fund, which 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 Projects Fund - The Capital Projects Fund is the District's Bond Fund which is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, construction and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (Internal Service Funds). The District does not have any Proprietary Funds.

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 Activities Fund which is used to account for monies collected principally through fund-raising efforts of the students and District sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing, and accounting for these activity funds. Included as a sub-account within the School Activity Fund is

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Fund (continued)

a clearing account used to hold the daily meal collections which are periodically transferred to the School District treasurer for deposit into the Child Nutrition Fund. A daycare account is also utilized as a clearing account.

Account Groups

Account Groups are not funds, and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in Proprietary Funds.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the Debt Service Fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for capital leases, compensated absences, and early retirement incentives which are to be paid from funds provided in future years.

General Fixed Asset Account Group - This account group is used to account for property, plant, and equipment of the School District. The District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes. The District does not have the information necessary to include this group in the financial statements.

Memorandum Only - Total Column

The total column on the 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 or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. BASIS OF ACCOUNTING

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

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS

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 and Special Revenue Funds (Building Fund and Child Nutrition Fund) that includes revenues and expenditures.

The 2014-2015 Estimate of Needs was approved by the Board and subsequently filed with the county clerk. The Estimate of Needs was approved by the excise board, and the requested levies were made.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ENCUMBRANCES

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. Appropriations not used or encumbered lapse at the end of the year.

F. ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Cash Equivalents - The District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of bank certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2015, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

Fixed Assets and Property, Plant, and Equipment - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

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

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since none of the vested sick leave is expected to be liquidated with expendable available financial resources. The amounts for vested vacation and sick leave appear to be immaterial.

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

Long-Term Debt - Long-term debt is recognized as a liability of governmental funds 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.

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

G. REVENUES, EXPENSES AND EXPENDITURES

Local Revenues - Local sources of revenues include fees, rentals, disposal, reimbursements, and interest.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within 15 days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Revenues (continued)

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.

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

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

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

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

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the General Fund.

The District maintains a separate Child Nutrition Fund, and the federal revenues received for the child nutrition programs are apportioned there.

Instructional Expenditures - Instructional 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

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Instructional Expenditures (continued)

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 chair persons who teach for any portion of time are included here. Tuition/transfer fees paid to other local educational agencies (LEA's) 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 improvements to sites.

Other Outlays 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).

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as revenues, expenditures, or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2015.

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

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

Risk Management - The District participates in a risk pool for workers' compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense.

Subsequent Events - Subsequent events have been evaluated through September 29, 2015, which is the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

The District's investment 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, 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.

In accordance with state statutes, the District's investment policy:

Deposits and Investments - The District's cash deposits and investments at June 30, 2015, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the District or by its agent in the District's name.

Therefore, the District's cash deposits and investments at June 30, 2015, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-14</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable At 6-30-15</u>
U.S. DEPARTMENT OF EDUCATION					
<u>Direct Programs:</u>					
Formula Grants to LEAS CFDA 84.060A	37,401.00	-	37,401.00	37,401.00	-
<u>Pass-through State Department of Education</u>					
Title I CFDA 84.010	65,418.61	-	61,626.23	61,626.23	-
Special Education Cluster					
Flow Through IDEA B CFDA 84.027	91,362.53	-	86,259.37	86,659.37	400.00
IDEA B High Cost 84.027	14,407.07	-	14,407.07	14,407.07	-
Preschool IDEA B CFDA 84.173	6,127.59	-	6,127.59	6,127.59	-
Total for Program (Cluster)	<u>111,897.19</u>	<u>-</u>	<u>106,794.03</u>	<u>107,194.03</u>	<u>400.00</u>
Title VI Part B REAP CFDA 84.367	833.70	-	833.70	833.70	-
U.S. DEPARTMENT OF AGRICULTURE					
<u>Pass-through State Department of Education</u>					
Child Nutrition Cluster					
School Breakfast - cash assistance CFDA 10.553	12,101.90	-	12,101.90	12,101.90	-
National School Lunch Program					
Non Cash Assistance: Commodities CFDA 10.550	12,133.76	-	12,133.76	12,133.76	-
Cash Assistance CFDA 10.555	74,236.58	-	74,236.58	74,236.58	-
Total National School Lunch Program	<u>86,370.34</u>	<u>-</u>	<u>86,370.34</u>	<u>86,370.34</u>	<u>-</u>
Total for Program (Cluster)	98,472.24	-	98,472.24	98,472.24	-
<u>OTHER FEDERAL PROGRAMS</u>					
Johnson O'Malley CFDA 15.130	5,175.00	-	4,040.84	5,014.81	973.97
Total Federal Grants and Assistance		<u>\$ -</u>	<u>\$ 309,168.04</u>	<u>\$ 310,542.01</u>	<u>\$ 1,373.97</u>

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2015.

NOTE 5: 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.

General long-term debt of the District consists of bonds payable.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	Bonds Payable	Capital Lease Obligations	Total
Balance, July 1, 2014	\$ 1,540,000.00	\$0.00	\$ 1,540,000.00
Additions	920,000.00	0.00	920,000.00
Retirements	(495,000.00)	(0.00)	(495,000.00)
Balance, June 30, 2015	<u>\$1,965,000.00</u>	<u>\$ 0.00</u>	<u>\$ 1,965,000.00</u>

A brief description of the outstanding general obligation bond issues at June 30, 2015, is set forth below:

	<u>Amount Outstanding</u>
Dependent School District CO09 Building Bonds of 2014, original issue \$415,000.00 Dated May 1, 2014, interest rates of 0.75% to 1.60% due in annual installments of \$100,000.00 beginning May 1, 2016, and final payment of \$115,000.00 due May 1, 2019	415,000.00
Dependent School District CO09 Combined Purpose Bonds of 2013, original issue \$920,000.00. Dated May 1, 2015, due in installments of \$230,000.00 beginning May 1, 2017, and final payment of \$230,000.00 due May 1, 2020	920,000.00
Dependent School District CO09 Combined Purpose Bonds of 2013, original issue \$840,000.00. Dated May 1, 2013, due in installments of \$210,000.00 beginning May 1, 2015, and final payments of \$210,000.00 due May 1, 2018	630,000.00
Total Outstanding	<u>\$ 1,965,000.00</u>

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5: GENERAL LONG-TERM DEBT (continued)

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

Year ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016		310,000.00	21,472.50	331,472.50
2017		540,000.00	18,507.50	558,507.50
2018		540,000.00	12,962.50	552,962.50
2019		345,000.00	7,417.50	352,417.50
2020		<u>230,000.00</u>	<u>3,220.00</u>	<u>233,220.00</u>
Total		<u>\$1,965,000.00</u>	<u>\$63,580.00</u>	<u>\$2,028,580.00</u>

Interest expense on general long-term debt incurred during the current year totals \$17,522.50.

As disclosed in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded these assets in the General Fixed assets Account Group. The District has recorded liability for future lease payments in the General Long-Term Account Group.

NOTE 6: OTHER POST EMPLOYMENT BENEFITS

The District does not offer any early retirement incentive plans.

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM

The District participates in the state administered Oklahoma Teachers' Retirement system (the "System")I, 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.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)

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. A participant with ten 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 (if under \$40,000) 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 participant's contributions plus interest. If the beneficiary is a surviving spouse, 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 member, employer, and State contribution rates are established by law and applied to the employee's earnings, plus employer paid fringe benefits. The contribution rate for the year end June 30, 2015 was 9.50%. In addition, the State of Oklahoma contributes 5.00% of revenues and sales taxes, use taxes, corporate income taxes, individual taxes and lottery proceeds.

The compensation for employees covered by the System for the year ended June 30, 2015 was \$2,017,616.25; the District's total compensation was \$2,235,817.39. Total contributions made during the year ended June 30, 2015 by the District amounted to \$307,920.10 which represents \$197,154.40 for the 9.50% statutory and \$110,765.74 for the 7% contribution paid by the employees. These contributions represented 14.9% of covered compensation. The District is required to match the retirement paid on salaries paid with federal funds.

The District's contributions to the System for the years ending June 30, 2015, 2014, and 2013 were \$307,920, \$279,820, and \$265,864, respectively.

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts.

The Oklahoma Teacher Retirement System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the

Oklahoma Teacher's Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

Ten year historical trend information is presented in the Teacher's Retirement System of the Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Schedule of Funding Progress (dollars in millions) (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets(AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)(b-a)</u>	<u>Funder Ratio(a/b)</u>	<u>Annual Covered Payroll(c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	243.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
June 30, 2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	201.4%
June 30, 2012	10,190.5	18,588.0	8,397.6	54.8%	3,924.8	214.0%
June 30, 2013	10,861.1	18,973.2	8,112.1	57.2%	3,933.1	206.3%
June 30, 2014	12,369.0	19,575.6	7,206.6	63.2%	4,002.9	180.0%

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8: CONTINGENCIES AND OTHER COMMITMENTS

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 the time although the District expects such amounts, if any, to be immaterial.

NOTE 9: INSURANCE COVERAGE

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and workers compensation.

NOTE 10: SURETY BONDS

The District had the following surety bonds at June 30, 2015: Superintendents Public Officials Bond No. W150026229 in the sum of \$100,000.00 with Old Republic Surety Company dated August 1, 2014-August 1, 2015. Public Employees Blanket Bond No. 69628547: Payroll/Encumbrance Clerk in the sum of \$2,000.00, Activity Fund Custodian in the sum of \$2,000.00, and Child Nutrition Clerk in the sum of \$2,000.00, minute clerk \$2,000.00, and all others \$1,000.00 dated June 30, 2014-June 30, 2015. The treasurer for the District also had surety bond #69773654 in the amount of \$50,000.00, which has been continuous since 8/31/2004 with Western Surety.

COMBINING FINANCIAL STATEMENTS

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Building Fund	Child Nutrition Fund	Total
<u>ASSETS</u>			
Cash and Investments	\$ 180,535.13	\$ 55,882.98	\$ 236,418.11
Total Assets	\$ 180,535.13	\$ 55,882.98	\$ 236,418.11
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 11,256.53	\$ 123.00	\$ 11,379.53
Total Liabilities	11,256.53	123.00	11,379.53
Fund Balances:			
Undesignated	169,278.60	55,759.98	225,038.58
Total Fund Balances	169,278.60	55,759.98	225,038.58
Total Liabilities and Fund Balances	\$ 180,535.13	\$ 55,882.98	\$ 236,418.11

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Building Fund	Child Nutrition Fund	Total (Memorandum Only Note 1) 2015
<u>REVENUES:</u>			
Local Sources	\$ 6,915.22	\$ 80,900.14	\$ 87,815.36
Intermediate Sources	144,278.31	-	144,278.31
State Sources	-	3,131.86	3,131.86
Federal Sources	-	86,338.48	86,338.48
Total Revenues Collected	151,193.53	170,370.48	321,564.01
<u>EXPENDITURES:</u>			
Instruction	15,874.00	-	15,874.00
Support Services	172,234.23	-	172,234.23
Non-Instructional Services	-	174,318.06	174,318.06
Capital Outlay	3,000.00	-	3,000.00
Other Outlays	-	-	-
Total Expenditures	191,108.23	174,318.06	365,426.29
Excess of Revenues Over (Under) Expenditures	(39,914.70)	(3,947.58)	(43,862.28)
Adjustments to Prior Year Encumbrances	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,914.70)	(3,947.58)	(43,862.28)
Beginning Fund Balances	209,193.30	59,707.56	268,900.86
Ending Fund Balances	\$ 169,278.60	\$ 55,759.98	\$ 225,038.58

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
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, 2015

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES COLLECTED:						
Local sources	\$ -	\$ -	\$ 6,915.22	\$ -	\$ -	\$ 80,900.14
Intermediate sources	130,604.87	130,604.87	144,278.31	-	-	-
State sources	-	-	-	2,762.31	2,762.31	3,131.86
Federal sources	-	-	-	66,658.28	66,658.28	86,338.48
Total revenues collected	<u>130,604.87</u>	<u>130,604.87</u>	<u>151,193.53</u>	<u>69,420.59</u>	<u>69,420.59</u>	<u>170,370.48</u>
EXPENDITURES PAID:						
Instruction	20,000.00	20,000.00	15,874.00	-	-	-
Support services	316,798.17	316,798.17	172,234.23	-	-	-
Non-instructional services	-	-	-	129,128.15	129,128.15	174,318.06
Capital outlays	3,000.00	3,000.00	3,000.00	-	-	-
Other outlays	-	-	-	-	-	-
Total expenditures paid	<u>339,798.17</u>	<u>339,798.17</u>	<u>191,108.23</u>	<u>129,128.15</u>	<u>129,128.15</u>	<u>174,318.06</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(209,193.30)</u>	<u>(209,193.30)</u>	<u>(39,914.70)</u>	<u>(59,707.56)</u>	<u>(59,707.56)</u>	<u>(3,947.58)</u>
Adjustments to prior year encumbrances	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(209,193.30)</u>	<u>(209,193.30)</u>	<u>(39,914.70)</u>	<u>(59,707.56)</u>	<u>(59,707.56)</u>	<u>(3,947.58)</u>
Fund balance, beginning of year	<u>209,193.30</u>	<u>209,193.30</u>	<u>209,193.30</u>	<u>59,707.56</u>	<u>59,707.56</u>	<u>59,707.56</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,278.60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,759.98</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Fund Activity Fund	Total 2015
<u>ASSETS</u>		
Cash and Investments	\$ 40,257.53	\$ 40,257.53
Total Assets	\$ 40,257.53	\$ 40,257.53
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Due to Student Groups	\$ 40,257.53	\$ 40,257.53
Total Liabilities	\$ 40,257.53	\$ 40,257.53
Fund Balances:		
Unreserved:		
Undesignated	-	-
Total Fund Balances	-	-
 Total Liabilities and Fund Balances	\$ 40,257.53	\$ 40,257.53

The accompanying notes and auditor's report are an integral part of these financial statements.

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. CO09
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
<u>ACTIVITIES</u>				
Student Activities	\$ 35,305.76	\$ 237,237.23	\$ 232,285.46	\$ 40,257.53
Total - All Agency Funds	<u>\$ 35,305.76</u>	<u>\$ 237,237.23</u>	<u>\$ 232,285.46</u>	<u>\$ 40,257.53</u>
<u>ASSETS</u>				
Cash	\$ 35,305.76	\$ 237,237.23	\$ 232,385.46	\$ 40,157.53
Total Assets	<u>\$ 35,305.76</u>	<u>\$ 237,237.23</u>	<u>\$ 232,385.46</u>	<u>\$ 40,157.53</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 35,305.76	\$ 237,237.23	\$ 232,385.46	\$ 40,157.53
Total Liabilities	<u>\$ 35,305.76</u>	<u>\$ 237,237.23</u>	<u>\$ 232,385.46</u>	<u>\$ 40,157.53</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND
JUNE 30, 2015

	Athletics Fund	Misc. Fund	8th Grade Fund	Yearbook Fund	Library Fund	Band Fund	Cheerleading Fund	Child Nutrition Fund	Softball Fund	Treasurer Fund	Music Fund	Technology Fund	Robotics Fund	Totals 2015
ASSETS														
Cash and Investments	\$ 14,803.87	\$ 697.97	\$ 3,009.77	\$ 11,418.69	\$ 6,976.15	\$ 1,256.80	\$ 277.37	\$ -	\$ -	\$ -	\$ 60.29	\$ 1,603.59	\$ 153.03	\$ 40,257.53
Total Assets	<u>\$ 14,803.87</u>	<u>\$ 697.97</u>	<u>\$ 3,009.77</u>	<u>\$ 11,418.69</u>	<u>\$ 6,976.15</u>	<u>\$ 1,256.80</u>	<u>\$ 277.37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60.29</u>	<u>\$ 1,603.59</u>	<u>\$ 153.03</u>	<u>\$ 40,257.53</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Due to Others	\$ 14,803.87	\$ 697.97	\$ 3,009.77	\$ 11,418.69	\$ 6,976.15	\$ 1,256.80	\$ 277.37	\$ -	\$ -	\$ -	\$ 60.29	\$ 1,603.59	\$ 153.03	\$ 40,257.53
Total Liabilities	<u>\$ 14,803.87</u>	<u>\$ 697.97</u>	<u>\$ 3,009.77</u>	<u>\$ 11,418.69</u>	<u>\$ 6,976.15</u>	<u>\$ 1,256.80</u>	<u>\$ 277.37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60.29</u>	<u>\$ 1,603.59</u>	<u>\$ 153.03</u>	<u>\$ 40,257.53</u>
Fund Balances:														
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 14,803.87</u>	<u>\$ 697.97</u>	<u>\$ 3,009.77</u>	<u>\$ 11,418.69</u>	<u>\$ 6,976.15</u>	<u>\$ 1,256.80</u>	<u>\$ 277.37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60.29</u>	<u>\$ 1,603.59</u>	<u>\$ 153.03</u>	<u>\$ 40,257.53</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
SCHEDULE OF FEDERAL AWARDS EXPENED
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Approved Amount</u>	<u>Balance at June 30, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2015</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Direct Programs</i> - Note 1					
Formula Grants to LEAS CFDA 84.060A	37,401.00	-	37,401.00	37,401.00	-
<i>Pass-through State Department of Education</i> - Note 1					
Title I CFDA 84.010	65,418.61	-	61,626.23	61,626.23	-
Special Education Cluster					
Flow Through IDEA B CFDA 84.027	91,362.53	-	86,259.37	86,659.37	400.00
IDEA B High Cost 84.027	14,407.07	-	14,407.07	14,407.07	-
Preschool IDEA B CFDA 84.173	6,127.59	-	6,127.59	6,127.59	-
Total for Program (Cluster)	<u>111,897.19</u>	<u>-</u>	<u>106,794.03</u>	<u>107,194.03</u>	<u>400.00</u>
Title VI Part B REAP CFDA 84.367	833.70	-	833.70	833.70	-
Total Department of Education	<u>\$ 215,550.50</u>	<u>\$ -</u>	<u>\$ 206,654.96</u>	<u>\$ 207,054.96</u>	<u>\$ 400.00</u>
<i>Pass-through State Department of Education</i>					
Child Nutrition Cluster					
School Breakfast - cash assistance CFDA 10.553	12,101.90		12,101.90	12,101.90	-
National School Lunch Program					
Non Cash Assistance: Commodities CFDA 10.550 - Note 2	12,133.76	-	12,133.76	12,133.76	-
Cash Assistance: Lunch CFDA 10.555 - Note 1	74,236.58	-	74,236.58	74,236.58	-
Total National School Lunch Program	<u>86,370.34</u>	<u>-</u>	<u>86,370.34</u>	<u>86,370.34</u>	<u>-</u>
Total for Program (Cluster)	<u>98,472.24</u>	<u>-</u>	<u>98,472.24</u>	<u>98,472.24</u>	<u>-</u>
OTHER FEDERAL PROGRAMS					
Johnson O'Malley CFDA 15.130	5,175.00	-	4,040.84	5,014.81	973.97
TOTAL FEDERAL ASSISTANCE	<u>\$ 319,197.74</u>	<u>\$ -</u>	<u>\$ 309,168.04</u>	<u>\$ 310,542.01</u>	<u>\$ 1,373.97</u>

Note 1 - Funds were expended and properly reported in prior years.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by the amount.

Note 3 - Basis of Accounting: is presented on an other comprehensive basis of accounting conforming with accounting practices prescribed or permitted by the Oklahoma State Department of Education.

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

The Honorable Board of Education
Justus-Tiawah School District No. CO09
Rogers County, Oklahoma

I have audited the accompanying fund type and account group financial statements regulatory basis of Justus-Tiawah School District No. CO09, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2015, and have issued my report thereon dated September 29, 2015, which was adverse with regard to the application of accounting principles generally accepted in the United States of America because the entity prepares its financial statements on a statutory (regulatory) basis of accounting that conforms with the accounting practices prescribed by the Oklahoma State Department of Education and budget laws of the State of Oklahoma. In my report my opinion with regard to the prescribed basis of accounting was qualified for the omission of the general fixed asset account group. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Justus-Tiawah School District No. CO09's financial statements are free of 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. 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 Justus-Tiawah School District No. CO09 in a separate letter dated September 29, 2015.

This report is intended solely for the information and use of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

September 29, 2015

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
STATEMENT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

PRIOR YEAR FINDINGS:

No matters were reported.

CURRENT YEAR FINDINGS:

No matters were reported.

**JUSTUS-TIAWAH SCHOOL DISTRICT NO. C009
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2014 TO JUNE 30, 2015**

State of Oklahoma

County of Cherokee

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Justus-Tiawah School for the audit year 2014-2015.

Alan Chapman, C.P.A.

Alan Chapman

By _____
Authorized Agent

Subscribed and sworn to before me this 1 day of September, 2015.

Lori Kimble

Notary Public

My Commission Number: 02002030

My Commission Expires: 02/05/18

