FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR

LINDSAY INDEPENDENT SCHOOL DISTRICT NO. I-9,
GARVIN COUNTY, OKLAHOMA

JUNE 30, 2016

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2016

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INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
JUNE 30, 2016

TABLE OF CONTENTS

	Page No.
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements - Regulatory Basis – Performed in Accordance with Government Auditing Standards	7-8
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance	9-10
Disposition of Prior Year's Significant Deficiencies and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Balance – All Fund Types and Account Groups – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15-17
Notes to Combined Financial Statements - Regulatory Basis	18-34

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
JUNE 30, 2016

	Page No.
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Balance – All Special Revenue Funds – Regulatory Basis	35
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	36
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budgeted and Actual – Special Revenue Fund Types – Regulatory Basis	37
Combining Statement of Assets, Liabilities and Fund Balance – All Capital Projects Funds – Regulatory Basis	38
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Capital Projects Funds – Regulatory Basis	39
Combining Statement of Assets, Liabilities and Fund Balance – All Fiduciary Fund Types – Regulatory Basis	40
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	41
Schedule of Expenditures of Federal Awards – Regulatory Basis	42
Schedule of Statutory, Fidelity and Honesty Bonds	43
Schedule of Accountant's Professional Liability Insurance Affidavit	44

INDEPENDENT AUDITOR'S REPORT

October 13, 2016

The Honorable Board of Education
Lindsay School District Number I-9
Lindsay, Garvin County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Lindsay School District Number I-9, Lindsay, Garvin County, Oklahoma (the District), 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 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 to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 District, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable 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 "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, 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 asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sanders, Bledsoe & Hewett

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

Broken Arrow, OK

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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*

October 13, 2016

The Honorable Board of Education
Lindsay School District Number I-9
Lindsay, Garvin County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the Lindsay School District Number I-9, Lindsay, Garvin County, Oklahoma (District), 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 October 13, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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, non-compliance with which could have a direct and material effect on the determination of financial statements 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.

Sanders, Bledsoe & Hewett

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

Broken Arrow, OK

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 13, 2016

The Honorable Board of Education
Lindsay School District Number I-9
Lindsay, Garvin County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Lindsay School District Number I-9, Lindsay, Garvin County, Oklahoma (District)'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion. the District, complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or defected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

Broken Arrow, OK

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2016

There were no prior year significant deficiencies.

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Section 1 - Summary of Auditor's Results:

1. An adverse opinion was issued on the combined financial statements in conformity with generally accepted accounting principles, and a qualified opinion was issued for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.

2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.

3. The audit disclosed no instances of noncompliance which are material to the financial statements.

4. The audit disclosed no significant deficiencies in the internal controls over major programs.

5. An unmodified opinion report was issued on the compliance of major programs.

6. The audit disclosed no audit findings which are required to be reported under Uniform Guidance.

7. Programs determined to be major were the Child Nutrition Programs (10.553, 10.555, 10.559), which were clustered in determination, and the Indian Education Program (84.060), which was not clustered.

8. The dollar threshold used to determine between Type A and Type B programs was $750,000.

9. The auditee was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2016

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDU ONLY)
ASSETS							
Cash	$ 1,216,490	261,692	689,422	357,084	203,554		2,728,242
Investments	1,600,000	430,000		1,250,000	5,000		3,285,000
Amounts available in debt service						689,422	689,422
Amount to be provided for retirement of long-term debt						2,775,578	2,775,578
Total Assets	$ 2,816,490	691,692	689,422	1,607,084	208,554	3,465,000	9,478,242
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants payable	$ 505,274	9,807					515,081
Encumbrances	446,837	25,199		43,885			515,921
Funds held for school organizations					202,795		202,795
Long-term debt:							
Bonds payable						3,465,000	3,465,000
Total liabilities	952,111	35,006	0	43,885	202,795	3,465,000	4,698,797
Fund Balance:							
Restricted		656,686	689,422	1,563,199	5,759		2,915,066
Unassigned	1,864,379						1,864,379
Fund balance	1,864,379	656,686	689,422	1,563,199	5,759	0	4,779,445
Total Liabilities and Fund Balance	$ 2,816,490	691,692	689,422	1,607,084	208,554	3,465,000	9,478,242

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

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
Revenues Collected:						
Local sources	$ 2,333,315	433,076	659,622			3,426,013
Intermediate sources	282,882					282,882
State sources	4,128,358	70,384				4,198,742
Federal sources	563,164	319,704				882,868
Interest earnings	15,151	3,311	898		16	19,376
Non-revenue receipts	491		988			1,479
Total revenues collected	7,323,361	826,475	661,508	0	16	8,811,360
Expenditures:						
Instruction	5,233,239	39,968				5,273,207
Support services	2,394,140	142,526		25,593	750	2,563,009
Operation of non-instructional services	1,331	483,920				485,251
Facilities acquisition and const. svcs.		273,643		513,903		787,546
Other outlays:						
Debt service requirements			680,271			680,271
Reimbursement	600					600
Repayments	8,289					8,289
Total expenditures	7,637,599	940,057	680,271	539,496	750	9,798,173
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(314,238)	(113,582)	(18,763)	(539,496)	(734)	(986,813)
Other financing sources (uses):						
Bond proceeds				1,975,000		1,975,000
Adjustments to prior year encumbrances	4,444	9,199				13,643
Total other financing sources (uses)	4,444	9,199	0	1,975,000	0	1,988,643
Excess of revenues collected over (under) expenditures	(309,794)	(104,383)	(18,763)	1,435,504	(734)	1,001,830
Cash fund balances, beginning of year	2,174,173	761,069	708,185	127,695	6,493	3,777,615
Cash fund balances, end of year	$ 1,864,379	656,686	689,422	1,563,199	5,759	4,779,445

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

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	$ 2,086,361	2,333,315	246,954
Intermediate sources	228,010	282,882	54,872
State sources	4,639,858	4,128,358	(511,500)
Federal sources		563,164	563,164
Interest earnings		15,151	15,151
Non-revenue receipts		491	491
Total revenues collected	6,954,229	7,323,361	369,132
Expenditures:			
Instruction	5,226,598	5,233,239	(6,641)
Support services	3,891,584	2,394,140	1,497,444
Operation of non-instruction services	1,331	1,331	
Other outlays:			
Reimbursement	600	600	
Repayments	8,289	8,289	
Total expenditures	9,128,402	7,637,599	1,490,803
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(2,174,173)	(314,238)	1,859,935
Adjustments to prior year encumbrances	0	4,444	4,444
Excess of revenue collected over (under) expenditures	(2,174,173)	(309,794)	1,864,379
Cash fund balance, beginning of year	2,174,173	2,174,173	0
Cash fund balance, end of year	$ 0	1,864,379	1,864,379

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

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	$ 405,150	433,076	27,926
State sources	65,154	70,384	5,230
Federal sources	258,269	319,704	61,435
Interest earnings		3,311	3,311
Total revenues collected	728,573	826,475	97,902
Expenditures:			
Instruction	41,168	39,968	1,200
Support services	669,980	142,526	527,454
Operation of non-instructional services	504,851	483,920	20,931
Facilities acquisition & construction services	273,643	273,643	
Total expenditures	1,489,642	940,057	549,585
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(761,069)	(113,582)	647,487
Adjustments to prior year encumbrances	0	9,199	9,199
Excess of revenues collected over (under) expenditures	(761,069)	(104,383)	656,686
Cash fund balances, beginning of year	769,069	761,069	0
Cash fund balances, end of year	$ 0	656,686	656,686

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

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	DEBT SERVICE FUND		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	$ 636,386	659,622	23,236
Interest earnings		898	898
		988	988
Total revenues collected	636,386	661,508	25,122
Requirements:			
Bonds	650,000	665,000	(15,000)
Coupons	20,000	15,271	4,729
Total requirements	670,000	680,271	(10,271)
Excess of revenue collected over (under) expenditures	(33,614)	(18,763)	14,851
Cash fund balance, beginning of year	708,185	708,185	0
Cash fund balance, end of year	$ 674,571	689,422	14,851

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Lindsay Public Schools Independent District, No. I-9 (the "District"), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial positon and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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 five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District 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.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

A. Reporting Entity – cont'd

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.

B. Measurement Focus

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) 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 and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

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. The terms "non-expendable" 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 operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The District maintained a gifts and endowment fund during the 2015-16 fiscal year.

> Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group – This account group is established to account for all the 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 other liabilities (judgements and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

Memorandum Only - Total Column

The total column on the combined financial statements – regulatory basis 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. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation – cont'd

Basis of accounting refers to when revenues and expenditures 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 basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

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

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity

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

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

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

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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 by 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 regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Compensated Absences – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular 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 a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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

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

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

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 are collected within such systems.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 from or additions to the 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 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 passthrough from another government, such as the state. 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.

Non-Monetary Transactions – The District receives commodities form the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 cocurricular 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 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).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

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 District funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. 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 interfund transfers made during the 2015-16 fiscal year.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash deposits and investments at June 30, 2016, were $6,018,326, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument 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.

- 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 deposit or savings accounts in out-of-state financial institutions.

- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

2. CASH AND INVESTMENTS – cont'd

- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

- 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.

- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2016.

4. GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of general obligation bonds payable. Debt service requirements for bonds are paid solely from the fund balance and the future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2016:

	Bonds Payable
Balance, July 1, 2015	$ 2,155,000
Additions	1,975,000
Retirements	(665,000)
Balance, June 30, 2016	$ 3,465,000

4. GENERAL LONG-TERM DEBT – cont'd

A brief description of the outstanding long-term debt at June 30, 2016 is set forth below:

	Amount Outstanding
General Obligation Bonds-	
2015 Building Bonds, original issue $1,975,000, interest rate of 0.80% to 1.125%, payment of $665,000 due on 11/1/2014, and one annual installments of $1,310,000 due 11/1/18.	$ 1,975,000
2012 Building Bonds, original issue $2,200,000, interest rate of 1.00, payment of $490,000 due on 7/1/2012, annual installments of $570,000 due thereafter, with a final payment of $570,000 due 7/1/17.	1,140,000
2014 General Obligation Bonds, original issue $350,000, interest interest rate of 0.80% to 2.00%, payment of $80,000 due on 7/1/16, annual installments of $90,000 due thereafter, with a final payment of $90,000 due 7/1/19.	350,000
Total outstanding long-term debt	$ 3,465,000

The annual debt service requirements for the retirement of bond principal and capital lease principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 650,000	33,661	683,661
2018	1,325,000	26,361	1,351,361
2019	1,400,000	12,460	1,412,460
2020	90,000	1,080	91,080
Total	$ 3,465,000	73,562	3,538,562

Interest paid on general long-term debt during the 2015-16 fiscal year totaled $23,442.

5. EMPLOYEE RETIREMENT SYSTEM

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. 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 System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2015-16 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

Annual Pension Cost

The District's total contributions for 2016, 2015 and 2014 were $656,129, $655,547, and $645,071, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements. The amount of calculated pension liability for the District at June 30, 2014 (the latest information available) was $4,284,745.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant 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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

7. CONTINGENCIES – cont'd

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2015-16 fiscal year. The revised Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than $750,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2016

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTAL
ASSETS				
Cash	$ 188,306	3,190	70,196	261,692
Investments	400,000		30,000	430,000
Total Assets	$ 588,306	3,190	100,196	691,692
LIABILITIES AND FUND BALANCE				
Liabilities:				
Warrants payable	$	1,253	8,554	9,807
Encumbrances	24,720		479	25,199
Total liabilities	24,720	1,253	9,033	35,006
Fund Balance:				
Restricted	563,586	1,937	91,163	656,686
Total Liabilities and Fund Balance	$ 588,306	3,190	100,196	691,692

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:				
Local sources	$ 321,884		111,192	433,076
State sources		34,203	36,181	70,384
Federal sources			319,704	319,704
Interest earnings	3,004		307	3,311
Total revenues collected	324,888	34,203	467,384	826,475
Expenditures:				
Instruction	180	39,788		39,968
Support services	142,526			142,526
Operation of non-instructional services			483,920	483,920
Facilities acquisition & construction services	273,643			273,643
Total expenditures	416,349	39,788	483,920	940,057
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(91,461)	(5,585)	(16,536)	(113,582)
Adjustments to prior year encumbrances	9,199	0	0	9,199
Excess of revenues collected over (under) expenditures	(82,262)	(5,585)	(16,536)	(104,383)
Cash fund balances, beginning of year	645,848	7,522	107,699	761,069
Cash fund balances, end of year	$ 563,586	1,937	91,163	656,686

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:									
Local sources	$ 297,955	297,955	321,884	$			$ 107,195	107,195	111,192
State sources				33,466	33,466	34,203	31,688	31,688	36,181
Federal sources							258,269	258,269	319,704
Interest earnings			3,004						307
Total revenues collected	297,955	297,955	324,888	33,466	33,466	34,203	397,152	397,152	467,384
Expenditures:									
Instruction	180	180	180	40,988	40,988	39,788			
Support services	669,980	669,980	142,526						
Operation of non-instructional services							504,851	504,851	483,920
Facilities acquisition & construction services	273,643	273,643	273,643						
Total expenditures	943,803	943,803	416,349	40,988	40,988	39,788	504,851	504,851	483,920
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(645,848)	(645,848)	(91,461)	(7,522)	(7,522)	(5,585)	(107,699)	(107,699)	(16,536)
Adjustment to prior year encumbrances	0	0	9,199	0	0	0	0	0	0
Excess of revenues collected over (under) expenditures	(645,848)	(645,848)	(82,262)	(7,522)	(7,522)	(5,585)	(107,699)	(107,699)	(16,536)
Cash fund balances, beginning of year	645,848	645,848	645,848	7,522	7,522	7,522	107,699	107,699	107,699
Cash fund balances, end of year	$ 0	0	563,586	$ 0	0	1,937	$ 0	0	91,163

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	2015 BUILDING BOND FUND	2014 TRANSP. BOND FUND	TOTAL
ASSETS			
Cash	$ 229,389	127,695	357,084
Investments	1,250,000		1,250,000
Total Assets	$ 1,479,389	127,695	1,607,084
LIABILITIES AND FUND BALANCE			
Liabilities:			
Encumbrances	$ 43,885	0	43,885
Fund Balance:			
Restricted	1,435,504	127,695	1,563,199
Total Liabilities and Fund Balance	$ 1,479,389	127,695	1,607,084

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	2015 BUILDING BOND FUND	2014 TRANSP. BOND FUND	TOTAL
Revenues Collected:			
Local sources	$ 0	0	0
Expenditures:			
Support services	25,593		25,593
Facilities acquisition & construction services	513,903		513,903
Total expenditures	539,496	0	539,496
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(539,496)	0	(539,496)
Other financing sources (uses):			
Bond proceeds	1,975,000	0	1,975,000
Excess of revenues collected over (under) expenditures	1,435,504	0	1,435,504
Cash fund balances, beginning of year	0	127,695	127,695
Cash fund balances, end of year	$ 1,435,504	127,695	1,563,199

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL FIDUCIARY FUND TYPES - REGULATORY BASIS
JUNE 30, 2016

	EXPENDABLE TRUST FUNDS	AGENCY FUNDS	
	GIFTS AND ENDOWMENTS FUNDS	SCHOOL ACTIVITY FUNDS	TOTAL
ASSETS			
Cash	$ 759	202,795	203,554
Investments	5,000		5,000
Total Assets	$ 5,759	202,795	208,554
LIABILITIES AND FUND BALANCE			
Liabilities:			
Funds held for school organizations	$	202,795	202,795
Fund Balance:			
Restricted	5,759	0	5,759
Total Liabilities and Fund Balance	$ 5,759	202,795	208,554

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE 7-01-15	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-16
ASSETS					
Cash	$ 165,797	740,552	0	703,554	202,795
LIABILITIES					
Funds held for school organizations:					
Athletics	$ 26,490	160,765	5,571	139,188	53,638
Band	4,240	72,581	1,040	73,365	4,496
Miscellaneous (Elem)	16,532	24,926		33,854	7,604
4-H Club	3,468	257		1,121	2,604
Cheerleaders (MS)	899	1,935		950	1,884
Miscellaneous (MS)	8,819	7,921	(152)	13,839	2,749
Library (Elem)	3,899	13,283		12,332	4,850
Cheerleaders (Freshman)	58	0		0	58
Career Development	121	0		0	121
Junior class	3,790	35,012	(2,290)	30,778	5,734
Senior class	3,164	0	162	2,846	480
FFA	3,352	88,129		88,082	3,399
Miscellaneous (HS)	2,558	4,283		5,059	1,782
Concessions	582	39,255	(13,622)	25,630	585
Petty cash (HS)	0	200		200	0
Art club	2,127	9,945		10,507	1,565
FCCLA	2,815	17,491	910	16,405	4,811
Library (HS)	1,634	1,906		13	3,527
Cheerleaders (HS)	483	23,984	1,559	14,845	11,181
HS academics	1,892	1,177		2,229	840
Petty cash (MS)	0	200		200	0
Yearbooks (HS)	12,424	12,521	1,434	1,149	25,230
Alumni account	2,532	0	2,768	31	5,269
General miscellaneous	514	3,183		2,279	1,418
Petty cash (Elem)	0	200		200	0
Student council	6,223	24,856	390	25,131	6,338
National honor society	3,010	2,184	2,079	3,307	3,966
Vocal music	4,296	12,734		12,652	4,378
Yearbooks (Elem)	6,384	7,498		10,897	2,985
Speech / drama	585	0		0	585
Accelerated academics	10,819	35,070	152	32,513	13,528
Spanish club	1,052	245		809	488
Business Education	2,207	0		0	2,207
Special Olympics	1,412	2,943	(74)	3,672	609
Lunch fund	518	109,873		110,234	157
Playground project	994	0		969	25
Athletic resale	974	2,097		2,583	488
Gifts for students	2,983	2,500		1,844	3,639
Scholarships	14,000	5,500	525	9,775	10,250
Vanessa Chandler Scholarship	525	0	(525)	0	0
Brintanee Baade Scholarship	200	0		0	200
Janousek Scholarship	0	4,000		4,000	0
MS student council	7,225	11,898	73	10,066	9,130
Total Liabilities	$ 165,797	740,552	0	703,554	202,795

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass Through Grantor / Program Title	CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/15	Revenue Collected	Total Expenditures	Balance at 6/30/16
U.S. Department of Education							
*Indian Education	84.060	S060A151088	$ 38,792			38,219	38,219
Indian Education 2014-15 - Note	84.060a	S060A141088		23,099	23,099		
Sub Total			38,792	23,099	23,099	38,219	38,219
Passed Through State Department of Education:							
Title I	84.010		240,342			236,607	236,607
Title I 2014-15 - Note	84.010			193,671	193,671		
Title II, Part A	84.367		20,000			8,716	8,716
Title II, Part A 2014-15 - Note	84.367			40,971	40,971		
Title VI, Part B	84.358		25,273			25,210	25,210
Title VI, Part B 2014-15 - Note	84.358			28,229	28,229		
IDEA-B Flow-through	84.027		258,027			251,838	251,838
IDEA-B Flow-through 2014-15 - Note	84.027			257,419	257,419		
IDEA-B preschool	84.173		6,100			6,100	6,100
IDEA-B preschool 2014-15 - Note	84.173			6,080	6,080		
Sub Total			549,742	526,370	526,370	528,471	528,471
U.S. Department of Agriculture:							
Passed Through State Department of Education							
*Child Nutrition Programs:							
School breakfast program	10.553				88,871	88,871	
National school lunch program	10.555				217,840	217,840	
Summer food program	10.559				12,993	875	
Sub Total					319,704	307,586	
Passed Through Department of Human Services							
*Non-cash assistance - Commodities - Note 3							
National school lunch program	10.555				29,664	29,664	
Other Federal Assistance							
Johnson O'Malley	15.130		8,084		2,288	8,084	5,796
Johnson O'Malley 2014-15 - Note	15.130			5,826	5,826		
Rehab services	84.126		6,242		5,296	6,242	946
Rehab services 2014-15 - Note	84.126			285	285		
Total other federal assistance			14,326	6,111	13,695	14,326	6,742
Total Federal Assistance			$ 602,860	555,580	912,532	918,266	573,432

Note - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 1 - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2016. This information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) . Because the schedule presents only a selected portiion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies - Expenditiures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - Non-Monetary Assistance - Commodities received by the District in the amount of $29,664 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. I-9, GARVIN COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2016

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety -	Treasurer	18275490	$ 100,000	7/12/15 - 7/12/16
	Public Officials:	18214554	110,000	10/3/15 - 10/3/16
	Superintendent			
	Principals (3)			
	Encumbrance Clerk & Deputy Minutes Clerk			
	Financial Secretary & Minutes Clerk			
	Activity Fund Custodian			
	Lunch Fund Custodian			
	Lunch Fund Cashier			
	Assistant Elementary Principal			

INDEPENDENT SCHOOL DISTRICT NO. I -9, GARVIN COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2015 TO JUNE 30, 2016

State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, 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 Lindsay Public Schools for the audit year 2015-16.

Sanders, Bledsoe & Hewett,
Certified Public Accountants, LLP
Auditing Firm

By _____
Authorized Agent

Subscribed and sworn to before me
This 13th day of October, 2016

EARLENE HART
NOTARY
PUBLIC
IN AND FOR
STATE OF
OKLAHOMA
TULSA COUNTY

Earlene Hart
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2020
Commission No. 00008621

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P.O. BOX 1310 • 101 N. MAIN ST.• BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

October 13, 2016

Mr. Dan Chapman, Supt.
Lindsay Public Schools
302 S.W. 8th Street
Lindsay, Oklahoma 73052

Dear Mr. Chapman:

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Child Nutrition Deposits

During our audit of local child nutrition collections, we were unable to reconcile the year-to-date cashier reports with the amounts actually deposited into the child nutrition fund during the year. The "Period End Summary" report ran from the NutriKids Software shows total sales for the year of $132,138.35, however, total deposits into the District's child nutrition fund were only $110,226.74, a variance of $21,911.61. From this variance, we were able to determine that $2,750.85 was uncollected student account balances. Through discussions with the child nutrition manager, we subsequently discovered that the remaining difference of about $19,000 was not actually turned in for deposit, and that the corresponding student accounts were given credit adjustments to offset the actual amounts paid by these accounts.

The food service manager provided us with a listing of where these un-deposited funds were used, which primarily consisted of school employee incentive programs and gifts, miscellaneous groceries and supplies for the cafeteria, and meals purchased for the child

nutrition staff. We were unable to locate any corresponding approved purchase requisitions, invoices, or other supporting documentation to verify these expenditures. State Law and District Policy both require that an approved purchase order and an encumbrance against legal appropriations are required prior to any goods or services being purchased. In addition, the District Board of Education must approve these obligations (encumbrances) prior to purchase. Following board policies and procedures ensures that no unauthorized purchases are made, and that a purchase does not potentially violate any other laws or policies (such as potential IRS requirements related to meals and/or additional employee compensation). After discussing this matter with the superintendent, this practice was stopped immediately. We recommend that purchasing procedures be followed at all times, and reviewed periodically with employees. Further, we recommend that the Treasurer, or another designated school employee, compare the NutriKids "Day End Summary" Reports each day with the amounts actually turned in for deposit, and any discrepancies be investigated and reconciled.

Travel Expenses

This comment is basically a general reminder, because overall the District does a good job of supporting all travel reimbursement claims with the proper information. We observed a few checks for trips where students and employees ate meals or stayed in hotel rooms. We recommend that when this type of travel is taken, a listing of all students (team roster) and employees be included that reconciles to the amount of meals purchased or the number of hotel rooms purchased. For employee travel, we always stress the importance of each expenditure being able to "tell the complete story" of the trip (who went, where did they go, who went with them, for how long, what was purchased, etc.). School travel seems to be a big issue these days, especially in the media, so we recommend that every effort be taken to ensure compliance in this area.

Booster Clubs

We recommend that District sanctioning policies be reexamined regarding outside fundraising organizations and booster clubs. It appears that current Board policies do not provide enough accountability or protect the District from possible misuse. Oklahoma Statute Title 70 2001 § 5-129.1, states in part that "Each school district board of education shall adopt policies providing guidelines for the sanctioning of organizations… guidelines may include but not be limited to examinations of financial and performance audits performed on each such organization or association." We recommend that the Board approved a template/example of financial statements in which all booster clubs will be required to submit either quarterly or annually. We recommend that all sanctioned booster clubs be approved by the Board annually and that all required bylaws, purpose/goals, etc. be provided to the board. Also, financial records should be reviewed by the activity fund custodian (or other designated employee) for compliance with Board policies and to ensure that appropriate tax requirements are being followed.

Consideration should also be given to having an independent audit of the booster club's records or making the records available for review during the normal annual audit of the District.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP