

**FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**MUSTANG INDEPENDENT SCHOOL DISTRICT NO. 1-69,
CANADIAN COUNTY, OKLAHOMA**

JUNE 30, 2017

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017

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INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
JUNE 30, 2017

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

October 11, 2017

The Honorable Board of Education
Mustang School District Number I-69
Mustang, Canadian County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Mustang School District Number I-69, Mustang, Canadian County, Oklahoma (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because the significance of the matter discussed in the “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, 2017, 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, 2017, 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 11, 2017 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
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 11, 2017

The Honorable Board of Education
Mustang School District Number I-69
Mustang, Canadian 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 Mustang School District Number I-69, Mustang, Canadian County, Oklahoma (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2017, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, 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.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and fluid, with the ampersand clearly visible.

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 11, 2017

The Honorable Board of Education
Mustang School District Number I-69
Mustang, Canadian County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Mustang School District Number I-69, Mustang, Canadian 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, 2017. 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, 2017.

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 detected 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-69, CANADIAN COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2017

There were no prior year significant deficiencies.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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 instances of noncompliance which were material to the financial statements.
3. The audit disclosed no significant deficiencies in the internal controls over financial reporting which were considered to be material weaknesses.
4. An unmodified opinion report was issued on the compliance of major programs.
5. The audit disclosed no significant deficiencies in the internal controls over 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), which were clustered in determination.
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. 1-69, CANADIAN COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2017

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash and investments	\$ 14,835,939	1,373,012	18,971,497	7,455,994	2,397,045		45,033,487
Amounts available in debt service						7,455,994	7,455,994
Amount to be provided for retirement of long-term debt						40,234,006	40,234,006
Total Assets	<u>\$ 14,835,939</u>	<u>1,373,012</u>	<u>18,971,497</u>	<u>7,455,994</u>	<u>2,397,045</u>	<u>47,690,000</u>	<u>92,723,487</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants payable	\$ 6,861,256	300,261	59,796				7,221,313
Encumbrances	24,390	39,184					63,574
Funds held for school organizations					2,397,045		2,397,045
Long-term debt:							
Bonds payable						47,690,000	47,690,000
Total liabilities	<u>6,885,646</u>	<u>339,445</u>	<u>59,796</u>	<u>0</u>	<u>2,397,045</u>	<u>47,690,000</u>	<u>57,371,932</u>
Fund Balance:							
Restricted		1,033,567	18,911,701	7,455,994			27,401,262
Unassigned	7,950,293						7,950,293
Cash fund balances	<u>7,950,293</u>	<u>1,033,567</u>	<u>18,911,701</u>	<u>7,455,994</u>	<u>0</u>	<u>0</u>	<u>35,351,555</u>
Total Liabilities and Fund Balance	<u>\$ 14,835,939</u>	<u>1,373,012</u>	<u>18,971,497</u>	<u>7,455,994</u>	<u>2,397,045</u>	<u>47,690,000</u>	<u>92,723,487</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN 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, 2017

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
Revenues collected:					
Local sources	\$ 17,274,509	4,592,600	4,911	12,681,492	34,553,512
Intermediate sources	2,693,360				2,693,360
State sources	38,403,949	401,570			38,805,519
Federal sources	2,854,104	1,939,628			4,793,732
Interest earnings	148,620	1,990		478,818	629,428
Non-revenue receipts:	119,408	4,050			123,458
Total revenues collected	<u>61,493,950</u>	<u>6,939,838</u>	<u>4,911</u>	<u>13,160,310</u>	<u>81,599,009</u>
Expenditures:					
Instruction	36,894,776		1,463,411		38,358,187
Support services	20,181,803	2,349,955	1,655,371		24,187,129
Operation of non-instructional services	3,731	3,985,599	41,898		4,031,228
Facilities acquisition & construction services		6,025	8,990,273		8,996,298
Other outlays :					
Debt service				12,869,800	12,869,800
Reimbursements		1,455			1,455
Correcting entry	21,582	2,595	4,911		29,088
Repayments	12,876				12,876
Total expenditures	<u>57,114,768</u>	<u>6,345,629</u>	<u>12,155,864</u>	<u>12,869,800</u>	<u>88,486,061</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	4,379,182	594,209	(12,150,953)	290,510	(6,887,052)
Other financing sources (uses):					
Proceeds from sale of bonds			15,360,000		15,360,000
Transfers in (out)	400,000	(400,000)			0
Adjustments to prior year encumbrances	9,640	1,566			11,206
Total other financing sources (uses)	<u>409,640</u>	<u>(398,434)</u>	<u>15,360,000</u>	<u>0</u>	<u>15,371,206</u>
Excess of revenues collected over (under) expenditures	4,788,822	195,775	3,209,047	290,510	8,484,154
Cash fund balances, beginning of year	<u>3,161,471</u>	<u>837,792</u>	<u>15,702,654</u>	<u>7,165,484</u>	<u>26,867,401</u>
Cash fund balances, end of year	<u>\$ 7,950,293</u>	<u>1,033,567</u>	<u>18,911,701</u>	<u>7,455,994</u>	<u>35,351,555</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN 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, 2017

	GENERAL FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 15,735,923	17,274,509	1,538,586
Intermediate sources	2,217,720	2,693,360	475,640
State sources	37,122,829	38,403,949	1,281,120
Federal sources	2,614,813	2,854,104	239,291
Interest earnings		148,620	148,620
Non-revenue receipts		119,408	119,408
Total revenues collected	<u>57,691,285</u>	<u>61,493,950</u>	<u>3,802,665</u>
Expenditures:			
Instruction	36,894,776	36,894,776	
Support services	23,922,791	20,181,803	3,740,988
Operation of non-instruction services	3,731	3,731	
Other outlays:			
Correcting entry	21,582	21,582	
Repayments	12,876	12,876	
Total expenditures	<u>60,855,756</u>	<u>57,114,768</u>	<u>3,740,988</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(3,164,471)	4,379,182	7,543,653
Other financing sources (uses):			
Transfers in (out)		400,000	400,000
Adjustments to prior year encumbrances		9,640	9,640
Total other financing sources (uses)	<u>0</u>	<u>409,640</u>	<u>409,640</u>
Excess of revenues collected over (under) expenditures	(3,164,471)	4,788,822	7,953,293
Cash fund balance, beginning of year	<u>3,161,471</u>	<u>3,161,471</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>7,950,293</u>	<u>7,953,293</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN 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, 2017

	SPECIAL REVENUE FUNDS		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 4,284,690	4,592,600	307,910
State sources	291,497	401,570	110,073
Federal sources	1,650,724	1,939,628	288,904
Interest earnings		1,990	1,990
Non-revenue receipts		4,050	4,050
Total revenues collected	<u>6,226,911</u>	<u>6,939,838</u>	<u>712,927</u>
Expenditures:			
Support services	2,811,922	2,349,955	461,967
Operation of non-instructional services	4,252,781	3,985,599	267,182
Facilities acquisition & construction services		6,025	(6,025)
Other outlays:			
Reimbursement		1,455	(1,455)
Correcting entry		2,595	(2,595)
Total expenditures	<u>7,064,703</u>	<u>6,345,629</u>	<u>719,074</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(837,792)	594,209	1,432,001
Other financing sources (uses):			
Transfers in (out)		(400,000)	(400,000)
Adjustments to prior year encumbrances		1,566	1,566
Total other financing sources (uses)	<u>0</u>	<u>(398,434)</u>	<u>(398,434)</u>
Excess of revenues collected over (under) expenditures	(837,792)	195,775	1,033,567
Cash fund balances, beginning of year	<u>837,792</u>	<u>837,792</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>1,033,567</u>	<u>1,033,567</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN 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, 2017

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 12,229,151	12,681,492	452,341
Interest earnings		478,818	478,818
Total revenues collected	<u>12,229,151</u>	<u>13,160,310</u>	<u>931,159</u>
Requirements:			
Bonds	12,228,000	12,090,000	(138,000)
Coupons	785,621	779,800	(5,821)
Total requirements	<u>13,013,621</u>	<u>12,869,800</u>	<u>(143,821)</u>
Excess of revenue collected over (under) expenditures	(784,470)	290,510	1,074,980
Cash fund balance, beginning of year	<u>7,165,484</u>	<u>7,165,484</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 6,381,014</u>	<u>7,455,994</u>	<u>1,074,980</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Mustang Public Schools Independent District, No. I-69 (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 position 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

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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 fund, co-op fund, child nutrition fund, and the OKC MAPS trust fund.

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. The District did not use the Co-op fund in 2016-17.

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.

OKC MAPS Trust Fund - Money derived from special sales tax on behalf of the school district. These funds are to be kept separate and expended only for those items addressed in the tax levy agreement. There was no activity in this fund in 2016-17.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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 did not maintain any expendable trust funds during the 2016-17 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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

The 2016-17 Estimate of Needs was not amended by any supplemental appropriations during the fiscal year.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, 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 sick days to a maximum number of 100 days, at \$25 to \$50.00 per day, depending on years of employment. Also, unused vacation leave will be compensated to support employees who retire or terminate employment at the employee's daily rate of pay up to a maximum of 30 days. The government-wide financial statements do not include any liability for any rights to receive vacation, sick leave, or other employee benefits.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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 from 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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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. During the 2016-17 fiscal year, the District made a transfer of \$400,000 from the child nutrition fund to the general fund.

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, 2017, were \$45,033,487, 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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017.

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 building bonds payable and capital leases. Debt service requirements for bonds and judgments 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, 2017:

	<u>Bonds Payable</u>
Balance, July 1, 2016	\$ 44,420,000
Additions	15,360,000
Retirements	<u>(12,090,000)</u>
Balance, June 30, 2017	<u><u>\$ 47,690,000</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

4. GENERAL LONG-TERM DEBT – cont'd

A brief description of the outstanding long-term debt at June 30, 2017, is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Combined Purpose Bonds, Series 2016, original issue \$12,780,000, interest rate of 1.50% to 2.00%, due in annual installments of \$3,195,000, final payment due on 06-01-21	\$ 12,780,000
Combined Purpose Bonds, Series 2015, original issue \$12,500,000, interest rate of 1.00% to 2.00%, due in annual installments of \$3,125,000, final payment due on 06-01-20	9,375,000
Combined Purpose Bonds, Series 2014, original issue \$16,225,000, interest rate of 1.5% to 2.00%, due in annual installments of \$4,055,000, and a final payment of \$4,060,000 on 06-01-19	8,115,000
Combined Purpose Bonds, Series 2013, original issue \$8,210,000, interest rate of 1.00%, due in annual installments of \$2,050,000, and a final payment of \$2,060,000 on 07-01-18	2,060,000
Combined Purpose Bonds, Series 2017, original issue \$15,360,000, interest rate of 2.00% to 3.00%, due in annual installments of \$3,840,000, and a final payment of \$3,840,000 on 04-01-22	<u>15,360,000</u>
Total	<u>\$ 47,690,000</u>

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

4. GENERAL LONG-TERM DEBT – cont'd

The annual debt service requirements for the retirement of the bonds and capital leases, including the payment of principal and interest are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 12,435,000	997,025	13,432,025
2019	14,220,000	784,900	15,004,900
2020	10,160,000	500,500	10,660,500
2021	7,035,000	297,300	7,332,300
2022	<u>3,840,000</u>	<u>122,700</u>	<u>3,962,700</u>
Total	<u>\$ 47,690,000</u>	<u>2,702,425</u>	<u>50,392,425</u>

Interest paid on general long-term debt during the 2016-17 fiscal year totaled \$782,800.

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

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

Basis of Accounting – cont'd

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%.

Annual Pension Cost

The District's total contributions for 2017, 2016 and 2015 were \$6,345,192, \$6,421,388, and \$6,556,933 respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2017. 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, 2016 (the latest information available) was \$79,341,354.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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 School participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

7. CONTINGENCIES – cont'd

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2016-17 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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District's sinking fund over a three year period pursuant to state law.

8. LEASE REVENUE BONDS

Pursuant to the issuance of series bonds in the amount of \$97,300,000, passed by electors on April 3, 2012, on July 1, 2012, the Canadian County Educational Facilities Authority issued \$64,195,000 of Educational Facilities Lease Revenue Bonds (Mustang Public Schools Project) Series 2012, to provide funds for the constructing, equipping, repairing and remodeling of school buildings, acquiring furniture, fixtures and equipment and acquiring and improving school sites for the benefit of Mustang School District. Also on July 1, 2012, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Canadian County Educational Facilities Authority. In addition, the District entered into a sublease, as lessee, with the Canadian County Educational Facilities Authority. The sublease calls for eleven (11) annual payments starting September 1, 2013. These payments will be made out of bond funds. Mustang Public Schools will gain ownership to the capital improvements incrementally as each payment is made. These bonds are shown as general long-term debt on the combined statement assets, liabilities, and fund equity under bonds payable as each series of bonds is sold. Acquisition payments made by the District to the Canadian County Educational Facilities Authority are as follows:

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

8. LEASE REVENUE BONDS – cont'd

<u>Fiscal Year</u>	<u>Payment</u>	<u>Rental</u>	<u>Total</u>
2017-18	\$ 10,215,000	3,000	10,218,000
2018-19	7,595,000	3,000	7,598,000
2019-20	7,995,000	3,000	7,998,000
2020-21	11,435,000	3,000	11,438,000
2021-22	7,935,000	3,000	7,938,000
2022-23	11,595,000	3,000	11,598,000
2023-24	<u>9,435,000</u>	<u>3,000</u>	<u>9,438,000</u>
Total	<u>\$ 66,205,000</u>	<u>21,000</u>	<u>66,226,000</u>

Pursuant to the issuance of series bonds in the amount of \$180,800,000, passed by electors on February 14, 2017, in May 2017, the Canadian County Educational Facilities Authority issued \$138,300,000 of Educational Facilities Lease Revenue Bonds (Mustang Public Schools Project) Series 2017, to provide funds for the constructing, equipping, repairing and remodeling of school buildings, acquiring furniture, fixtures and equipment and acquiring and improving school sites for the benefit of Mustang School District. Also on February 14, 2017, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Canadian County Educational Facilities Authority. In addition, the District entered into a sublease, as lessee, with the Canadian County Educational Facilities Authority. The sublease calls for twelve (12) annual payments starting September 1, 2018. These payments will be made out of bond funds. Mustang Public Schools will gain ownership to the capital improvements incrementally as each payment is made. These bonds are shown as general long-term debt on the combined statement assets, liabilities, and fund equity under bonds payable as each series of bonds is sold. Acquisition payments made by the District in repayment of Canadian County Educational Facilities Authority Lease Revenue Bonds are as follows:

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

8. LEASE REVENUE BONDS – cont’d

<u>Fiscal Year</u>	<u>Payment</u>	<u>Rental</u>	<u>Total</u>
2018-19	\$ 2,000,000	3,000	2,003,000
2019-20	7,600,000	3,000	7,603,000
2020-21	5,055,000	3,000	5,058,000
2021-22	6,095,000	3,000	6,098,000
2022-23	5,520,000	3,000	5,523,000
2023-24	5,440,000	3,000	5,443,000
2024-25	22,310,000	3,000	22,313,000
2025-26	22,330,000	3,000	22,333,000
2026-27	22,340,000	3,000	22,343,000
2027-28	25,170,000	3,000	25,173,000
2028-29	23,810,000	3,000	23,813,000
2029-30	<u>28,910,000</u>	<u>3,000</u>	<u>28,913,000</u>
Total	<u>\$ 176,580,000</u>	<u>36,000</u>	<u>176,616,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2017

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 705,492	667,520	1,373,012
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants payable	\$ 23,691	276,570	300,261
Encumbrances	30,251	8,933	39,184
Total liabilities	53,942	285,503	339,445
Fund Balance:			
Restricted	651,550	382,017	1,033,567
Total Liabilities and Fund Balance	\$ 705,492	667,520	1,373,012

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN 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, 2017

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:			
Local sources	\$ 2,443,924	2,148,676	4,592,600
State sources		401,570	401,570
Federal sources		1,939,628	1,939,628
Interest earnings		1,990	1,990
Non-revenue receipts		4,050	4,050
Total revenues collected	<u>2,443,924</u>	<u>4,495,914</u>	<u>6,939,838</u>
Expenditures:			
Support services	2,349,955		2,349,955
Operation of non-instructional services		3,985,599	3,985,599
Facilities acquisition & construction services	6,025		6,025
Other outlays:			
Reimbursement		1,455	1,455
Correcting entry		2,595	2,595
Total expenditures	<u>2,355,980</u>	<u>3,989,649</u>	<u>6,345,629</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	87,944	506,265	594,209
Other financing sources (uses):			
Transfers in (out)		(400,000)	(400,000)
Adjustments to prior year encumbrances	1,242	324	1,566
Total other financing sources (uses)	<u>1,242</u>	<u>(399,676)</u>	<u>(398,434)</u>
Excess of revenues collected over (under) expenditures	89,186	106,589	195,775
Cash fund balances, beginning of year	<u>562,364</u>	<u>275,428</u>	<u>837,792</u>
Cash fund balances, end of year	<u>\$ 651,550</u>	<u>382,017</u>	<u>1,033,567</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN 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, 2017

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 2,249,558	2,249,558	2,443,924	\$ 2,035,132	2,035,132	2,148,676
State sources				291,497	291,497	401,570
Federal sources				1,650,724	1,650,724	1,939,628
Interest earnings						1,990
Non-revenue receipts						4,050
Total revenues collected	<u>2,249,558</u>	<u>2,249,558</u>	<u>2,443,924</u>	<u>3,977,353</u>	<u>3,977,353</u>	<u>4,495,914</u>
Expenditures:						
Support services	2,811,922	2,811,922	2,349,955			
Operation of non-instructional services				4,252,781	4,252,781	3,985,599
Facilities acquisition & construction services			6,025			
Other outlays:						
Reimbursement						1,455
Correcting entry						2,595
Total expenditures	<u>2,811,922</u>	<u>2,811,922</u>	<u>2,355,980</u>	<u>4,252,781</u>	<u>4,252,781</u>	<u>3,989,649</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(562,364)	(562,364)	87,944	(275,428)	(275,428)	506,265
Other financing sources (uses):						
Transfers in (out)						(400,000)
Adjustment to prior year encumbrances			1,242			324
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>1,242</u>	<u>0</u>	<u>0</u>	<u>(399,676)</u>
Excess of revenues collected over (under) expenditures	(562,364)	(562,364)	89,186	(275,428)	(275,428)	106,589
Cash fund balances, beginning of year	<u>562,364</u>	<u>562,364</u>	<u>562,364</u>	<u>275,428</u>	<u>275,428</u>	<u>275,428</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>651,550</u>	<u>\$ 0</u>	<u>0</u>	<u>382,017</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
JUNE 30, 2017

	BOND (31) FUND	BOND (32) FUND	BOND (33) FUND	BOND (34) FUND	BOND (35) FUND	BOND (36) FUND	BOND (37) FUND	BOND (38) FUND	BOND (39) FUND	TOTAL
<u>ASSETS</u>										
Cash	\$ 1,536,888	120,900	17,314	13,772,878	752,116	465,139	226,823	1,753,509	325,930	18,971,497
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities:										
Warrants payable	\$ 37,022	0	116	15,866	0	4,989	0	1,803	0	59,796
Fund Balance:										
Restricted	1,499,866	120,900	17,198	13,757,012	752,116	460,150	226,823	1,751,706	325,930	18,911,701
Total Liabilities and Fund Balance	\$ 1,536,888	120,900	17,314	13,772,878	752,116	465,139	226,823	1,753,509	325,930	18,971,497

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN 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, 2017

	BOND (31) FUND	BOND (32) FUND	BOND (33) FUND	BOND (34) FUND	BOND (35) FUND	BOND (36) FUND	BOND (37) FUND	BOND (38) FUND	BOND (39) FUND	TOTAL
Revenues Collected:										
Non-revenue receipts	\$ 161	0	0	0	0	0	0	0	4,750	4,911
Expenditures:										
Instruction	1,023,282	1,789	29,341	320,579	3,735				84,685	1,463,411
Support services	383,537	50,618	9,703	267,486	34,806	584	2,890	872,496	33,251	1,655,371
Operation of non-instruction services				41,898						41,898
Facilities acquisition & construction services	1,143,315	240,125	6,040	5,813,025	974,373	372,755	187,955		252,685	8,990,273
Other outlays:										
Correcting entry	161								4,750	4,911
Total expenditures	2,550,295	292,532	45,084	6,442,988	1,012,914	373,339	190,845	872,496	375,371	12,155,864
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(2,550,134)	(292,532)	(45,084)	(6,442,988)	(1,012,914)	(373,339)	(190,845)	(872,496)	(370,621)	(12,150,953)
Other financing sources (uses):										
Bond proceeds	0	0	0	12,185,000	1,520,000	0	0	1,655,000	0	15,360,000
Excess of revenues collected over (under) expenditures	(2,550,134)	(292,532)	(45,084)	5,742,012	507,086	(373,339)	(190,845)	782,504	(370,621)	3,209,047
Cash fund balances, beginning of year	4,050,000	413,432	62,282	8,015,000	245,030	833,489	417,668	969,202	696,551	15,702,654
Cash fund balances, end of year	\$ 1,499,866	120,900	17,198	13,757,012	752,116	460,150	226,823	1,751,706	325,930	18,911,701

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
<u>ASSETS</u>					
Cash	\$ 1,341,922	3,179,905	0	2,124,782	2,397,045
<u>LIABILITIES</u>					
Funds held for school organizations:					
Industrial Arts	\$ 13,051	16,408	25	16,642	12,842
Annual - H.S.	16,343	42,766		37,768	21,341
High School Athletics	105,829	278,623	7,091	254,690	136,853
Band - H.S.	18,663	249,594	1,000	251,118	18,139
JROTC Booster	0	21,290		9,445	11,845
Centennial Counseling	1,718	3,185	30	3,143	1,790
Centennial Media	5,719	14,948	(25)	11,226	9,416
D.A.R.E.	319	0		160	159
Mustang Elementary	27,565	12,992		9,618	30,939
Trails PTA	0	3,000		-	3,000
Art	6,105	1,333		2,005	5,433
Centennial Music	489	579	1,205	716	1,557
FFA - H.S.	24,969	50,035		58,034	16,970
FCCLA - H.S.	1,743	10,255	1,000	11,997	1,001
French Club - H.S.	51	230		237	44
High School General	108,346	128,903	(12,394)	90,927	133,928
Girls Volleyball - H.S.	4,252	0	(228)	1,324	2,700
Lakehoma Elem	35,107	40,614		43,985	31,736
Centennial Art	4,618	2,906	1,206	2,703	6,027
Media - HS	3,449	413		238	3,624
Media - MS	2,956	6,849		5,523	4,282
Media - North MS	2,635	12,905		9,824	5,716
Key Club HS	157	5,593		5,627	123
Athletics - MS	10,195	50,152		46,616	13,731
Band - MS	11,706	36,298		38,029	9,975
Cheer - MS	868	100	577	372	1,173
FCA - MS	2,589	0		99	2,490
Middle School	14,250	21,013	(297)	23,980	10,986
Skills for Living - MS	304	698		585	417
Pep Club - MS	781	0	(781)	278	(278)
Science Club - MS	4,117	1,975		2,179	3,913
Cheer - North MS	651	0		0	651

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
Student Council - MS	\$ 680	271		83	868
Vocal Music - MS	9,400	19,654		19,809	9,245
Yearbook - MS	8,309	3,240		3,004	8,545
Mustang Valley Elem	37,942	46,190		40,817	43,315
Nat'l Honor Society - HS	386	5,492		5,792	86
Media - Creek	2,923	8,653		8,554	3,022
Athletics - North MS	1,979	37,681	(200)	26,831	12,629
Band - North MS	7,482	46,117	(2,132)	34,817	16,650
Misc Revenue	1,927	12,949		581	14,295
North Middle School	18,195	33,300	43	29,071	22,467
Pom-Pom - HS	2,135	0	577	743	1,969
Pep Club - North MS	96	0	481	0	577
Science Club - North MS	6,280	1,772		1,360	6,692
Speech Club - North MS	402	1,440		829	1,013
Student Council - North MS	2,335	0		149	2,186
Vocal Music - North MS	3,380	28,306	200	27,160	4,726
Yearbook - North MS	11,004	8,047		8,452	10,599
Jr Class - HS	32,606	36,700		39,012	30,294
Science/Math - H.S.	6,100	21,867		18,761	9,206
Sr Class - HS	86,038	48,021		44,171	89,888
Special Olympics	2,868	1,458	200	3,314	1,212
Drama Department/Club	10,385	13,615		12,877	11,123
Student Council - HS	840	61,873	602	60,057	3,258
Varsity Cheer - HS	5,652	0	576	5,301	927
Vocal Music - HS	3,452	27,520		24,942	6,030
Scholarship Fund	1,252	2,000		3,000	252
D.E.C.A. - H.S.	11,385	23,524	(200)	24,296	10,413
Sixth Grade - North M.S.	169	2,313	891	248	3,125
Media - Valley	6,810	5,834		6,563	6,081
Counseling Activities - Valley	1,146	1,177		1,391	932
Trails Elementary	37,567	49,375		55,695	31,247
Spanish Club - H.S.	98	0		92	6
Media - Mustang Trails	6,783	21,500		19,152	9,131
M.E.A.D. - Mustang Elementary	2,273	3,183		3,274	2,182
Drug Free Club - Trails	1,505	3,011		2,396	2,120
Gifted and Talented	760	0		0	760
Transportation	2,358	539	(53)	488	2,356
Creek Choir	475	543		485	533

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
L.E. Drug Free Leaders	\$ 2,721	1,406	(30)	1,344	2,753
Chisholm Trails	2,165	202	(160)	202	2,005
Builder's Club - MS	169	0		0	169
Builder's Club - North MS	1,328	1,149		1,995	482
Debate Club - HS	408	2,779		2,229	958
Mustang Creek Elem	8,816	27,807		22,361	14,262
Media - LE	2,333	9,204		10,108	1,429
Renaissance - MS	967	370		623	714
Reading - MS	6,230	2,602		1,825	7,007
Renaissance - North MS	1,233	370		219	1,384
Renaissance - HS	1,709	1,429		777	2,361
Special Life Skills - MS	902	364		454	812
Mustang Elem PE	2,781	3,011		2,819	2,973
Mustang Elem Music	1,291	2,412		2,709	994
Art Club - HS	643	10,726		8,329	3,040
Athletic Training - HS	12,887	14,541	228	13,323	14,333
Technology - North MS	34	0		0	34
Admin Use of Facility	109,105	55,514	802	42,333	123,088
P.A.S.S. - MEC	8,276	13,962		10,591	11,647
CRI Activity Account	36,125	35,723	(6,033)	39,586	26,229
Advanced Placement - HS	12,092	35,007		31,493	15,606
Grounds Improvement	1,268	0		0	1,268
CRI Staff Account	1,816	1,394	(53)	2,286	871
HS Freshman F.C.C.L.A.	3,030	0	(1,000)	152	1,878
Outdoor Classroom - MS	4,484	3,406		4,254	3,636
Golf - North MS	2,665	20		2,305	380
CRI Counseling Activity	1,792	1,116	2,194	2,593	2,509
Canyon Ridge Int Media	377	17,965	500	15,828	3,014
MHS Crafts	1,784	6,044		4,377	3,451
Canyon Ridge Vocal/Music	11,758	9,728	2,582	13,035	11,033
CRI Art	2,287	2,030	400	2,287	2,430
Canyon Ridge Int PE	967	9,514	(1,900)	2,769	5,812
Track/Cross Country - North MS	139	0		0	139
Creek/North Outdoor	323	0		0	323
Canyon Ridge Int Arch	146	2,100		1,160	1,086
Football - North MS	250	0		0	250
Prairie View Activity	18,346	65,201	(1,955)	46,838	34,754
Pre-Kindergarten - MEC	14,991	14,040		13,987	15,044
Prairie View Staff	622	59		586	95
Special Education - M-H	1,428	403		859	972
Art - Lakehoma	1,333	0		0	1,333

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
Musical - HS	\$ 22,631	44,120	114	24,047	42,818
JROTC - HS	5,683	0		4,757	926
HS Athletic Dept. Staff	27,709	45,580		15,928	57,361
Canyon Ridge Int Reading	2,459	2,381	718	1,346	4,212
Mustang Elementary Staff	4,941	0		0	4,941
Mustang Valley Staff	7,963	3,010	(53)	3,641	7,279
Mustang Lakehoma Staff	9,290	4,204	(267)	2,691	10,536
Mustang Trails Staff	15,320	8,794		8,852	15,262
Mustang Creek Staff	8,089	1,164		5,320	3,933
Mustang Middle School Staff	10,354	2,674		5,187	7,841
MNMS Staff	3,475	2,079		2,398	3,156
MHS Relay for Life	0	6,687	1,200	6,887	1,000
High School Staff	10,651	961		6,877	4,735
Education Center Staff	3,497	6,060	(53)	3,404	6,100
Administration Staff	1,786	675	1,750	3,860	351
High School Tech Education	111	0		0	111
HS - Business Prof. of America	4,230	3,045		3,632	3,643
Mustang Creek Counseling	3,170	887		2,278	1,779
MPS Special Needs	858	0	(814)	0	44
Mustang Creek Art	5,924	2,923		4,131	4,716
Eco Club High school	484	0		0	484
Lakehoma Music	167	4,327		4,019	475
Mustang Trails Art	4,742	750		2,094	3,398
Mustang Trails Honor	3,793	4,737		4,504	4,026
Centennial Elementary	37,635	60,476	25	50,936	47,200
Trails Special Ed.	510	3,141		3,231	420
Centennial Staff	1,872	3,358		2,597	2,633
Mustang Elem Art	2,550	129		0	2,679
Mustang Elem Media	4,141	23,245		14,977	12,409
Trails Reading Carnival	1,232	1,545		529	2,248
Trails Student Council	1,988	0		125	1,863
Mustang Trails PE Activ.	2,635	705		725	2,615
Praire View Art	1,632	0		1,013	619
H.S. Spanish Nat'l Honor	1,554	682		911	1,325
H.S. Mac Choir	820	0		0	820
H.S. Video Club	2,894	2,480		4,393	981
H.S. Swim Team	0	3,888	980	4,172	696
Archery Club - MS	3,436	2,272		2,037	3,671
Valley Student Council	3,221	3,143		2,754	3,610
Centennial Outdoor Classroom	21	0		0	21
Mustang Students in Need	8,236	5,160	694	1,000	13,090

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
CRI Outdoor Classroom	\$ 3,322	1,575		960	3,937
CRI Student Council	593	0		188	405
Canyon Ridge Yearbook	6,241	6,125		5,810	6,556
CRI Communications/Bro.	557	0	300	100	757
CRI Technology Stdnt	840	1,383	300	2,265	258
CRI Spanish Acct	1,068	0	300	0	1,368
CRI Renaissance Acct	1,279	750	1,878	712	3,195
Open	0	300		299	1
CRI Special Education Acct	1,252	1,506		2,055	703
Horizon Int Activity Acct	16,029	24,887	(980)	18,441	21,495
Horizon Int Staff Acct	3,372	1,607		3,327	1,652
Horizon Int Counseling	1,203	675		482	1,396
Horizon Int Media Acct	1,762	12,024		13,447	339
Prairie View Media	1,366	18,199		16,729	2,836
Horizon Int Vocal/Music	1,692	9,637		6,583	4,746
Horizon Int Art Account	110	1,044		1,114	40
Bronco Club	2,458	868,674	120	34,927	836,325
Teacher of the year	3,684	4,125		3,700	4,109
Centennial PE	7,152	12,154	(2,411)	9,855	7,040
Centennial Archery	184	1,379		1,344	219
Prairie View Music	810	1,225		2,035	0
Prairie View PE	1,771	1,500	1,230	3,061	1,440
Native American Club	185	0		0	185
MHS Archery & Fishing	1,767	3,531		2,339	2,959
Mustang Valley PE Activ.	4,078	2,505		3,067	3,516
MPS Special Needs (Fund 61)	500	7,398		7,398	500
Total Liabilities	\$ 1,341,922	3,179,905	0	2,124,782	2,397,045

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass Through Grantor / Program Title	Federal 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>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060	S060A151321	\$ 198,721		193,267	198,721	5,454
Indian Education - Note	84.060	S060A141321		3,720	3,720		
Sub Total			198,721	3,720	196,987	198,721	5,454
<u>Passed Through State Department of Education:</u>							
Title I, Basic Program	84.010	S010A150036	692,056		608,176	618,178	10,002
Title I, Basic Program - Note	84.010			16,953	16,953		
Title I, School Improvement	84.010		5,000		4,874	4,874	
Title II, Part A	84.367	S367A150035	117,119		72,231	108,594	36,363
Title II, Part A - Note	84.367			24,209	24,209		
Title III, Part A	84.365	S365A150036	41,666		35,904	35,904	
IDEA-B Flowthrough	84.027	H027A150051	1,810,233		1,681,577	1,708,278	26,701
IDEA-B Flowthrough - Note	84.027			56,431	56,431		
IDEA-B Preschool	84.173	H173A150084	40,836		15,692	27,768	12,076
IDEA-B Preschool - Note	84.173			14,090	14,090		
Sub Total			2,706,910	111,683	2,530,137	2,503,596	85,142
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins	84.048		59,894		59,594	59,869	275
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
<u>*Child Nutrition Programs:</u>							
School Breakfast Program	10.553	6OK300329			358,263	358,263	
National School Lunch Program	10.555	6OK300329			1,581,366	1,581,366	
Sub Total					1,939,629	1,939,629	
<u>Passed Through Department of Human Services:</u>							
<u>*Non-cash assistance - commodities</u>							
National school lunch program - Note 3	10.555				270,094	270,094	
<u>Other Federal Assistance:</u>							
JROTC	12.357		66,495		60,886	66,495	5,609
JROTC - Note	12.357			5,475	5,475		
Rehabilitation Services	84.126		1,842		1,024	1,842	818
Sub Total			68,337	5,475	67,385	68,337	6,427
Total Federal Assistance			\$ 3,033,862	120,878	5,063,826	5,040,246	97,298

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, 2017. 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 portion 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 - Expenditures 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 \$270,094 are of a non-monetary nature and therefore the total revenue does not agree with the financial statements

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. 1-69, CANADIAN COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2017

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Advantage Insurance Group - Liberty Mutual Surety	Asst. Treasurer	601096232	\$ 1,000,000	7/1/16 - 7/1/17
	Superintendent	601096232	100,000	7/1/16 - 7/1/17
	Activity Fund Custodian	601096232	10,000	7/1/16 - 7/1/17
	Encumbrance Clerk	601096232	10,000	7/1/16 - 7/1/17
	Asst. Encumbrance Clerk	601096232	10,000	7/1/16 - 7/1/17
	Minutes Clerk	601096232	10,000	7/1/16 - 7/1/17
	Courier	601096232	10,000	7/1/16 - 7/1/17
	Courier	601096232	10,000	7/1/16 - 7/1/17
	Secretary to Athletic Director	601096232	10,000	7/1/16 - 7/1/17
	PE / Health	601096232	10,000	7/1/16 - 7/1/17
	PE / Health	601096232	10,000	7/1/16 - 7/1/17
	Athletic Facilitator	601096232	10,000	7/1/16 - 7/1/17
	Asst. Athletic Director	601096232	10,000	7/1/16 - 7/1/17
	Site Cashiers, Managers, Secretaries, & Gate Workers (53 total workers for \$3,000 each)	601096232	159,000	7/1/16 - 7/1/17
State Farm Insurance Group -	CFO (General Liability)	96-B5-J4405-3 F	1,000,000	12/13/16 - 12/13/17

INDEPENDENT SCHOOL DISTRICT NO. I-69, CANADIAN COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2016 TO JUNE 30, 2017

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 Mustang Public Schools for the audit year 2016-17.

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

By Jeffrey D. Hewett
Authorized Agent

Subscribed and sworn to before me
This 11th day of October, 2017



Earlene Hart
Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-20
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

November 28, 2017

Dr. Sean McDaniel, Supt.
Mustang Public Schools
906 South Heights Drive
Mustang, Oklahoma 73064

Dear Dr. McDaniel:

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.

Activity Fund

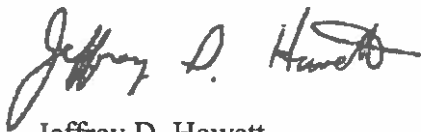
- We observed during the audit that the Mustang Middle school Pep Club sub-account (#835) showed a deficit balance of \$278.12 at June 30, 2017. We recommend that the student activity fund sub-accounts be reviewed and monitored throughout the fiscal year and maintain a balance of no less than zero (-0-), as required by the State Department of Education.
- We observed during the audit of the activity fund disbursements, that activity fund purchase order number 3955, in the amount of \$17,511.00, did not have adequate supporting documentation attached. This item was for 'Beast Week' activities which was made payable to an individual. We recommend that all original supporting documentation be obtained and reconciled to the check amount, and reference the receipt number of any unused funds, if applicable.

Activity Fund – cont'd

- We observed during the audit that the District maintains and operates a 'special needs' fund which provides assistance to students in need. We did not observe where this account was approved by the Board. The account is reconciled each month and internal controls are in place and functioning over the expenditures, however, we recommend that this account be approved by the Board and that its transactions be included within the student activity fund reporting.
- We observed during the audit of the activity fund disbursements, purchase order number 1866, was for a trip where students stayed in hotel rooms for proper school purposes, however a listing of students was not provided. We recommend that when this type of travel is taken, a listing of all students (roster) be included that reconciles to the number of hotel rooms purchased. This comment is a general reminder, because overall the District does a good job of supporting all travel reimbursement claims with the proper information.

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,

A handwritten signature in black ink, appearing to read "Jeffrey D. Hewett". The signature is fluid and cursive, with a large initial "J" and a stylized "H".

Jeffrey D. Hewett

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP