

**OKAY SCHOOL DISTRICT, NO. 73-I001**  
**Wagoner County, Oklahoma**

**FINANCIAL STATEMENTS**  
**June 30, 2016**

**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**June 30, 2016**

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Wagoner County, Oklahoma**

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### **Independent Auditor's Report**

The Honorable Board of Education  
Okay Independent School District No. 73-I001  
Okay, Wagoner County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Okay School District No. 73-I001, Wagoner County, Oklahoma, as of and for the year ended June 30, 2016, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.



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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Okay School District No. 73-I001, Wagoner County, Oklahoma on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United State of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Okay School District No. 73-I001, Wagoner County, Oklahoma as of June 30, 2016, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

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

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

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

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Okay School District No. 73-I001, Wagoner County, Oklahoma, as of June 30, 2016, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

### **Other Matters**

#### **Other information**

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

The combining statements-regulatory basis and the other supplementary information including the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the combined financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional

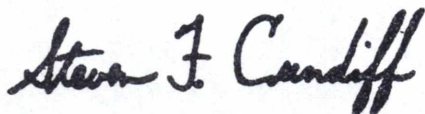


procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the other supplementary information including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the combined financial statements-regulatory basis taken as a whole on the regulatory basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of Okay School District No. 73-I001, Wagoner County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of 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 Okay School District No. 73-I001, Wagoner County, Oklahoma's internal control over financial reporting and compliance.

October 10, 2016

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive, flowing style.

Steven F. Cundiff, CPA, Inc.



**COMBINED FINANCIAL STATEMENTS-REGULATORY BASIS**

OKAY SCHOOL DISTRICT NO. 73-1001  
Wagoner County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE  
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
June 30, 2016

	Governmental Fund Types			Fiduciary Fund Types		Account Group	Total
	General Fund	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	(Memorandum Only) 2016
<b>ASSETS</b>							
Cash and cash equivalents (Note 2)	\$ 866,125.91	\$ 107,373.25	\$ 161,703.97	\$ 18,052.06	\$ 60,905.45	\$ -	\$ 1,214,160.64
Investments	-	-	-	-	-	-	-
Amount to be provided for compensated absences	-	-	-	-	-	-	-
Amount to be provided for capitalized lease agreements	-	-	-	-	-	1,175,324.43	1,175,324.43
Amounts available in debt service fund	-	-	-	-	-	161,703.97	161,703.97
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	278,296.03	278,296.03
Total assets	\$ 866,125.91	\$ 107,373.25	\$ 161,703.97	\$ 18,052.06	\$ 60,905.45	\$ 1,615,324.43	\$ 2,829,485.07
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities:</b>							
Outstanding warrants	\$ 81,496.40	\$ 13,323.02	\$ -	\$ -	\$ -	\$ -	\$ 94,819.42
Encumbrances	-	-	-	-	-	-	-
Long-term debt (note 5:)	-	-	-	-	-	-	-
Bonds payable	-	-	-	-	-	440,000.00	440,000.00
Capital leases	-	-	-	-	-	1,175,324.43	1,175,324.43
Compensated absence	-	-	-	-	-	-	-
Due to student activities	-	-	-	-	60,905.45	-	60,905.45
Total liabilities	81,496.40	13,323.02	-	-	60,905.45	1,615,324.43	1,771,049.30
<b>Fund balance</b>							
Restricted for capital projects	-	-	-	18,052.06	-	-	18,052.06
Restricted for debt service	-	-	161,703.97	-	-	-	161,703.97
Restricted for plant improvements and operations	-	41,178.07	-	-	-	-	41,178.07
Restricted for child nutrition programs	-	52,872.16	-	-	-	-	52,872.16
Unassigned	784,629.51	-	-	-	-	-	784,629.51
Total fund balances	784,629.51	94,050.23	161,703.97	18,052.06	-	-	1,058,435.77
Total liabilities and fund balance	\$ 866,125.91	\$ 107,373.25	\$ 161,703.97	\$ 18,052.06	\$ 60,905.45	\$ 1,615,324.43	\$ 2,829,485.07

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



OKAY SCHOOL DISTRICT NO. 73-1001  
Wagoner County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES- REGULATORY BASIS  
For the Year Ended June 30, 2016

	Governmental Fund Types				Total (Memorandum only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 509,194.74	\$ 84,904.88	\$158,751.91	\$ -	\$ 752,851.53
Intermediate sources	75,185.93	-	-	-	75,185.93
State sources	1,927,518.31	18,693.18	-	-	1,946,211.49
Federal sources	296,941.15	158,340.63	-	-	455,281.78
Total revenues collected	2,808,840.13	261,938.69	158,751.91	-	3,229,530.73
Expenditures paid:					
Instruction	1,696,580.57	-	-	-	1,696,580.57
Support Services	1,015,380.15	52,919.71	-	4,404.15	1,072,704.01
Non-Instructional services	1,924.97	205,117.22	-	-	207,042.19
Capital outlay	3,729.10	9,360.00	-	75,000.00	88,089.10
Other outlays	3,836.00	-	-	-	3,836.00
Debt services:					
Principal retirement	-	-	65,000.00	-	65,000.00
Interest	-	-	10,892.50	-	10,892.50
Total expenditures paid	2,721,450.79	267,396.93	75,892.50	79,404.15	3,144,144.37
Excess of revenues collected over (under) expenditures	87,389.34	(5,458.24)	82,859.41	(79,404.15)	85,386.36
Other financing sources (uses):					
Lapsed prior year encumbrances	-	-	-	-	-
Estopped warrants	-	-	-	-	-
Bond sale proceeds	-	-	-	85,000.00	85,000.00
Total other financing sources (uses)	-	-	-	85,000.00	85,000.00
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	87,389.34	(5,458.24)	82,859.41	5,595.85	170,386.36
Fund balances, beginning of year	697,240.17	99,508.47	78,844.56	12,456.21	888,049.41
Fund balances, end of year	\$ 784,629.51	\$ 94,050.23	\$161,703.97	\$ 18,052.06	\$ 1,058,435.77

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

OKAY SCHOOL DISTRICT NO. 73-0001  
Wagoner County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS- REGULATORY BASIS  
For the Year Ended June 30, 2016

	General Fund			Special Revenue Funds (Building and Child Nutrition)			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:									
Local sources	\$ 416,516.59	\$ 416,516.59	\$ 509,194.74	\$ 77,784.86	\$ 77,784.86	\$ 84,904.88	\$ 154,602.24	\$ 154,602.24	\$ 158,751.91
Intermediate sources	100,725.05	100,725.05	75,185.93	-	-	-	-	-	-
State sources	1,928,451.47	1,928,451.47	1,927,518.31	2,578.94	2,578.94	18,693.18	-	-	-
Federal sources	123,541.71	123,541.71	296,941.15	115,944.51	138,163.40	158,340.63	-	-	-
Total revenues collected	2,569,234.82	2,569,234.82	2,808,840.13	196,308.31	218,527.20	261,938.69	154,602.24	154,602.24	158,751.91
Expenditures paid:									
Instruction	2,077,160.09	2,077,160.09	1,696,580.57	-	-	-	-	-	-
Support services	1,164,036.90	1,164,036.90	1,015,380.15	95,161.94	95,161.94	52,919.71	-	-	-
Non-instructional services	14,800.00	14,800.00	1,924.97	200,654.84	222,873.73	205,117.22	-	-	-
Capital outlays	3,978.00	3,978.00	3,729.10	-	-	9,360.00	-	-	-
Other outlays	6,500.00	6,500.00	3,836.00	-	-	-	154,602.24	154,602.24	75,892.50
Total expenditures paid	3,266,474.99	3,266,474.99	2,721,450.79	295,816.78	318,035.67	267,396.93	154,602.24	154,602.24	75,892.50
Excess of revenues collected over (under) expenditures	(697,240.17)	(697,240.17)	87,389.34	(99,508.47)	(99,508.47)	(5,458.24)	-	-	82,859.41
Other financing sources (uses):									
Lapsed prior year encumbrances	-	-	-	-	-	-	-	-	-
Estopped warrants	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(697,240.17)	(697,240.17)	87,389.34	(99,508.47)	(99,508.47)	(5,458.24)	-	-	82,859.41
Fund balances, beginning of year	697,240.17	697,240.17	697,240.17	99,508.47	99,508.47	99,508.47	78,844.56	78,844.56	78,844.56
Fund balances, end of year	\$ -	\$ -	\$ 784,629.51	\$ -	\$ -	\$ 94,050.23	\$ 78,844.56	\$ 78,844.56	\$ 161,703.97

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



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

**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**1. Summary of Significant Accounting Policies**

The financial statements of the Okay School District Number 73-I001 (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed or permitted by the Oklahoma State Department of Education and conform to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The 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 (Board), 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. 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 included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**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.

**Special Revenue Funds** - The Special Revenue Funds consist of the Building Fund and the Child Nutrition Fund.

**Building Fund** - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

**Child Nutrition Fund** - The Child Nutrition Fund is used to account for monies derived from federal and state reimbursement and local food service collections and is expended on food, supplies, and salaries to operate the breakfast and lunch programs.

**Debt Service Fund** - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

**Capital 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.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus - Governmental Fund Types (continued)**

**Proprietary Fund Types**

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

**Fiduciary Fund Types**

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

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

**Account Groups**

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

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

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the School District. The District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by the regulatory basis of accounting prescribed or permitted by the Oklahoma Department of Education, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition and are not recorded as assets for financial statement purposes.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus (continued)**

**Memorandum Only - Total Column**

The total column on the financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. 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*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as 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.
- Accrued compensated absences are recorded as an expenditure when the obligation is paid.
- A General Fixed Asset Account Group is required or expected by the Department of Education and is presented in such an account group but fixed assets are not depreciated.
- A Management's Discussions and Analysis (MD&A) is not required to be presented when the financial statements are prepared on the regulatory basis of accounting.

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.

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 measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. Revenues are recognized when they are received rather than earned. Under the Statutory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Fund Balance, Revenue, and Expenditures**

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

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

Inventories - Purchases for inventory items are considered expenditures at the time the items were encumbered.

Fixed Assets and Property, Plant and Equipment - The District has not maintained a record of general fixed assets and accordingly, a General Fixed Asset Account Group, required by the regulatory basis of accounting, prescribed by the Oklahoma State Board of Education, is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from generally accepted accounting principles.

In accordance with the provisions of professional standards on accounting for compensated absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable available financial resources.

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 at face value. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities and Fund Balance, Revenue, and Expenditures (continued)**

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

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).

Amounts 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. The School Board is the highest level of decision-making authority of the School District.
- **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 includes 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 purpose 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.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**E. Revenue, Expenses and Expenditures**

**Property Tax Revenues and Other Local Revenues** - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within 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 timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. No provision has been made for uncollected taxes, as all taxes deemed collectable. Other local sources of revenues include tuition, fees, rental, disposals, commissions, and reimbursements.

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

**State Revenues** - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

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



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Summary of Significant Accounting Policies (continued)**

**Revenue, Expenses and Expenditures (continued)**

**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 wards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2016.

**F. Budgets and Budgetary Accounting – Estimate of Needs**

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate. A budget is legally adopted by the Board of Education for the General Fund, Special Revenue Funds (Building Fund and Child Nutrition Fund) and the Debt Service Fund, that includes revenues and expenditures.

The 2015-2016 Estimate of Needs was approved by the Board and subsequently filed with the County Clerk. The Estimate of Needs was approved by the excise board and the requested levies were made. Supplemental appropriations were approved for the Child Nutrition Fund in the amount of \$22,218.89 and the Building Bond Fund in the amount of \$85,000.00.

**G. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund--is utilized in all governmental funds of the District. Appropriations not used or encumbered will lapse at the end of the year.

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



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**2. Cash and Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. In accordance with state statutes and the District's investment policy, the District invests in bank certificates of deposit.

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

	<u>Average Maturity Months</u>	<u>Credit Rating</u>	<u>Credit Risk</u>	<u>Total Deposits</u>	<u>Insured by FDIC</u>	<u>Uninsured by FDIC</u>	
						<u>Collateralized by Securities</u>	<u>Uncollateralized</u>
NOW accounts	N/A	AAAm	100%	\$ 1,214,160.64	\$ 250,000.00	\$ 964,160.64	\$ 0.00
HI FI accounts	N/A	N/A	0%	0.00	0.00	0.00	0.00
Total				<u>\$ 1,214,160.64</u>	<u>\$ 250,000.00</u>	<u>\$ 964,160.64</u>	<u>\$ 0.00</u>

*Investment Interest Rate Risk:* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk:* The District has no policy that limits its investment choices other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- Certificates of deposits 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.
- 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.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Cash and Investments (Continued)**

- Money Market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs.

*Concentration of Investment Credit Risk:* The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 100% in checking accounts.

**3. Interfund Receivables and Payables**

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

**4. General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General long-term debt of the District consists of bonds payable, obligations for compensated absences, early retirement incentive, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

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

	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Capital Lease Obligation</u>	<u>Total</u>
Balance, July 1, 2015	\$ 420,000.00	\$ 2,384.06	\$ 1,291,804.50	\$ 1,714,188.56
Additions	85,000.00	0.00	0.00	85,000.00
Retirements	(65,000.00)	(2,384.06)	(116,480.07)	(183,864.13)
Balance June 30, 2016	<u>\$ 440,000.00</u>	<u>\$ 0.00</u>	<u>\$ 1,175,324.43</u>	<u>\$ 1,615,324.43</u>

A brief description of the outstanding general obligation bond issues at June 30, 2016 is set forth below:

	<u>Amount Outstanding</u>
Independent School District 73-I001 Building Bonds, dated November 1, 2009, original issue \$600,000.00, interest rates of 1.5% to 3.2%, due in eight payments of \$65,000.00 and a final payment of \$80,000.00 due November 1, 2019.	275,000.00
Independent School District 73-I001 Building Bonds, dated December 1, 2014, original issue \$80,000.00, interest rate of 1.5%, due in one payment of \$80,000.00 due December 1, 2016.	80,000.00

**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**General Long-term Debt (continued)**

Independent School District 73-I001 Building Bonds, dated  
November 30, 2015, original issue \$85,000.00,  
interest rate of 2%, due in one payment of \$85,000.00  
due November 30, 2017.

85,000.00

Total

\$ 440,000.00

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2017	145,000.00	8,018.75	153,018.75
2017-2018	150,000.00	8,100.00	158,100.00
2018-2019	65,000.00	4,417.50	69,417.50
2019-2020	<u>80,000.00</u>	<u>1,280.00</u>	<u>81,280.00</u>
Total	<u>\$ 440,000.00</u>	<u>\$ 21,816.25</u>	<u>\$ 461,816.25</u>

Interest expense on general long-term debt incurred during the current year was \$10,892.50.

The District has entered into a lease agreement with First Bank & Trust of Wagoner as lessee for financing the acquisition of two used school buses and a 2010 suburban vehicle. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. This lease contains the clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

The District has entered into a lease agreement with First Bank & Trust of Wagoner as lease for financing the acquisition of a LED lighting system for the school buildings. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. This lease contains the clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

The District has entered into a lease purchase agreement with Arvest Equipment Leasing, a division of Arvest Bank. The \$1,285,000.00 lease purchase was for a new safe room building, update technology and security infrastructure, remodel gym including roof, textbooks, furniture, fixtures and equipment, and student transportation equipment. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of future minimum lease payments. This lease contains the clause which give the District the ability to terminate the lease agreement at the end of each fiscal year.

As disclosed in Note 1 of the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the leased equipment as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the General Long-term Debt Account Group.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**General Long-term Debt (continued)**

Lessor:	Arvest Bank	First Bank & Trust of Wagoner	First Bank & Trust of Wagoner
Equipment:	Building & Improvements	2006 bus, 2007 bus, 2010 Suburban	LED Light System
Date of lease:	12-22-14	7-24-14	5-12-16
Terms of lease:	10 years	51 months	5 years
Interest rate	2.7%	4%	3.1%
Purchase option:	Unpaid balance	Unpaid balance	Unpaid balance
Annual renewal:	Yes	Yes	Yes

The annual commitment of these finance lease obligations are as follows:

				<u>Total</u>
2016-2017	\$ 80,000.00	\$ 18,178.53	\$ 16,700.59	\$ 114,879.12
2017-2018	85,000.00	18,178.53	16,700.59	119,879.12
2018-2019	155,000.00	18,178.53	16,700.59	189,879.12
2019-2020	972,000.00	7,359.70	16,700.59	996,060.29
2020-2021	<u>0.00</u>	<u>0.00</u>	<u>5,050.89</u>	<u>5,050.89</u>
Total minimum lease payments	1,292,000.00	61,895.29	71,853.25	1,425,748.54
Less interest amount	<u>(116,675.57)</u>	<u>(5,157.11)</u>	<u>(5,779.25)</u>	<u>(127,611.93)</u>
Net lease obligations	<u>\$ 1,175,324.43</u>	<u>\$ 56,738.18</u>	<u>\$ 66,074.00</u>	<u>\$ 1,298,136.61</u>

**5. Other Post Employment Benefits**

The District does not offer any early retirement incentive plans.

**6. Employee Retirement System**

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the system, contributions are made by the District, the State of Oklahoma, and the participating employees.

Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest earning years on contributory service multiplied by the number of years credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Employee Retirement System (continued)**

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

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2016. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending:

June 30, 2016	\$ 297,877.78
June 30, 2015	316,396.86
June 30, 2014	328,987.27

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The Oklahoma Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The system issues an independent financial report, financial statements, and required supplementary information that 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.

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2015. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

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

Actuarial Valuation Date	Actuarial Value of Assets(AVA) (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(b-a)	Funder Ratio(a/b)	Annual Covered Payroll(c)	UAAL as % of Covered Payroll (b-a)/(c)
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
June 30, 2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	204.4%
June 30, 2012	10,190.5	18,588.0	8,397.6	54.8%	3,924.8	214.0%
June 30, 2013	10,861.1	18,973.2	8,112.1	57.2%	3,933.1	206.3%
June 30, 2014	12,369.0	19,575.6	7,206.6	63.2%	4,304.3	167.4%
June 30, 2015	13,771.9	20,692.6	6,920.7	66.6%	4,231.8	163.5%



**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**Employee Retirement System (continued)**

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

**7. Contingencies and Other Commitments**

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

**8. Risk Management**

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and workers compensation. The District also purchases surety bonds for employees in all positions required by state law to be bonded. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

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

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with 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 them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program, the District is required to contribute 1.6% of their taxable payroll for unemployment. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

**OKAY SCHOOL DISTRICT 73-I001**  
**Wagoner County, Oklahoma**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**9. Accumulated Unpaid Vacation, Sick Leave Benefits, and Health Care Coverage**

The District provides sick leave benefits to the certified staff in accordance with Title 70, Article 6-104, of the Oklahoma Statutes, which provides for an annual accrual of sick leave of ten days and personal business days accrual of three days. Ten days are allowed to accumulate up to a total of sixty days per employee. None of the benefits are payable upon retirement or death.

**10. Non-Monetary Transactions**

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$10,704.12.

**11. Subsequent Events**

Subsequent events have been evaluated through October 10, 2016, which is the date the financial statements were available to be issued.



**COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS**

**OKAY SCHOOL DISTRICT NO. 73-I001**  
**Wagoner County, Oklahoma**

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS**  
**June 30, 2016**

	Building Fund	Child Nutrition Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ 41,460.57	\$ 65,912.68	\$ 107,373.25
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 41,460.57</u></u>	<u><u>\$ 65,912.68</u></u>	<u><u>\$ 107,373.25</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Outstanding warrants	\$ 282.50	\$ 13,040.52	\$ 13,323.02
Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	282.50	13,040.52	13,323.02
Fund balances: restricted	<u>41,178.07</u>	<u>52,872.16</u>	<u>94,050.23</u>
Total liabilities and fund balances	<u><u>\$ 41,460.57</u></u>	<u><u>\$ 65,912.68</u></u>	<u><u>\$ 107,373.25</u></u>

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



**OKAY SCHOOL DISTRICT NO. 73-I001**  
**Wagoner County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
For the Year Ended June 30, 2016**

	Building Fund	Child Nutrition Fund	Total
Revenues Collected:			
District sources	\$ 65,723.59	\$ 19,181.29	\$ 84,904.88
Intermediate sources	-	-	-
State sources	2,107.52	16,585.66	18,693.18
Federal sources	-	158,340.63	158,340.63
Total revenues collected	<u>67,831.11</u>	<u>194,107.58</u>	<u>261,938.69</u>
Expenditures paid:			
Instruction	-	-	-
Support services	52,919.71	-	52,919.71
Non-instruction services	-	205,117.22	205,117.22
Capital outlay	9,360.00	-	9,360.00
Other outlays	-	-	-
Total expenditures paid	<u>62,279.71</u>	<u>205,117.22</u>	<u>267,396.93</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>5,551.40</u>	<u>(11,009.64)</u>	<u>(5,458.24)</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	5,551.40	(11,009.64)	(5,458.24)
Fund balances, restricted: beginning of year	<u>35,626.67</u>	<u>63,881.80</u>	<u>99,508.47</u>
Fund balances, restricted: end of year	<u>\$ 41,178.07</u>	<u>\$ 52,872.16</u>	<u>\$ 94,050.23</u>

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

**OKAY SCHOOL DISTRICT I-1  
Wagoner County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE (BUILDING, CHILD NUTRITION FUNDS)-REGULATORY BASIS  
For the Year Ended June 30, 2016**

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:						
Local sources	\$ 59,535.27	\$ 59,535.27	\$ 65,723.59	\$ 18,249.59	\$ 18,249.59	\$ 19,181.29
Intermediate sources	-	-	-	-	-	-
State sources	-	-	2,107.52	2,578.94	2,578.94	16,585.66
Federal sources	-	-	-	115,944.51	138,163.40	158,340.63
Total revenues collected	<u>59,535.27</u>	<u>59,535.27</u>	<u>67,831.11</u>	<u>136,773.04</u>	<u>158,991.93</u>	<u>194,107.58</u>
Expenditures paid:						
Instruction	-	-	-	-	-	-
Support services	95,161.94	95,161.94	52,919.71	-	-	-
Non-instruction services	-	-	-	200,654.84	222,873.73	205,117.22
Capital outlay	-	-	9,360.00	-	-	-
Other outlays	-	-	-	-	-	-
Total expenditures paid	<u>95,161.94</u>	<u>95,161.94</u>	<u>62,279.71</u>	<u>200,654.84</u>	<u>222,873.73</u>	<u>205,117.22</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(35,626.67)</u>	<u>(35,626.67)</u>	<u>5,551.40</u>	<u>(63,881.80)</u>	<u>(63,881.80)</u>	<u>(11,009.64)</u>
Adjustments to prior year encumbrances	-	-	-	-	-	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(35,626.67)</u>	<u>(35,626.67)</u>	<u>5,551.40</u>	<u>(63,881.80)</u>	<u>(63,881.80)</u>	<u>(11,009.64)</u>
Fund balances, restricted: beginning of year	<u>35,626.67</u>	<u>35,626.67</u>	<u>35,626.67</u>	<u>63,881.80</u>	<u>63,881.80</u>	<u>63,881.80</u>
Fund balances, restricted: end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,178.07</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,872.16</u>

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



OKAY SCHOOL DISTRICT NO. 73-I001  
Wagoner County, Oklahoma

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
FIDUCIARY FUNDS- REGULATORY BASIS  
June 30, 2016

	Agency Fund Activity Funds
<b>ASSETS</b>	
Cash	\$ 60,905.45
Investments	-
Due from other funds	-
Total assets	<u>\$ 60,905.45</u>
<b>LIABILITIES AND FUND EQUITY</b>	
Liabilities:	
Due to student, parent and booster activities	\$ 50,993.37
Due to administrative activities	<u>9,912.08</u>
Total liabilities	60,905.45
Fund balance:	
Restricted	-
Unassigned	-
Total fund balance	<u>-</u>
Total liabilities and fund balances	<u>\$ 60,905.45</u>

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

**OKAY SCHOOL DISTRICT NO. 73-I001**  
**Wagoner County, Oklahoma**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS - REGULATORY BASIS**  
**For the Year Ended June 30, 2016**

	Agency Funds		
	Balance July 1, 2015	Cash Receipts	Balance June 30, 2016
<b>ACTIVITIES</b>			
Student activities	47,538.85	266,288.13	50,993.37
Parent/booster activities	3,877.10	1,585.94	3,563.78
Total activities	47,538.85	266,288.13	50,993.37
<b>ADMINISTRATIVE</b>			
Administration	2,774.89	1,132.50	1,365.57
Miscellaneous	314.94	943.76	1,115.53
Pictures	128.57	517.93	646.50
Interest	309.51	125.39	240.15
High School Library	210.64	24.89	93.56
Elementary library	342.29	4,306.49	547.06
Elementary vendors	111.06	258.00	369.06
Playground equipment	4,343.95	3,668.00	5,427.20
After School Care	17.91	239.00	107.45
Total administrative	8,553.76	11,215.96	9,912.08
<b>TOTAL - ALL AGENCY FUNDS</b>	<b>59,969.71</b>	<b>277,504.09</b>	<b>60,905.45</b>
<b>ASSETS</b>			
Cash - all funds	59,969.71	277,504.09	60,905.45
Investments	-	-	-
Total assets	59,969.71	277,504.09	60,905.45
<b>LIABILITIES</b>			
Due to activities and administrative	59,969.71	277,504.09	60,905.45
Total liabilities	59,969.71	277,504.09	60,905.45

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



**Steven F. Cundiff**  
*Certified Public Accountant, Inc.*  
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Stillwater, Oklahoma 74076  
(405) 372-4822 FAX (405) 372-4828

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

The Honorable Board of Education  
Okay School District No. 73-I001  
Okay, Wagoner 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 of Okay School District No. 73-I001, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 10, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Okay School District No. 73-I001'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 Okay School District No. 73-I001's internal control. Accordingly, we do not express an opinion on the effectiveness of the Okay School District No. 73-I001'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 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.

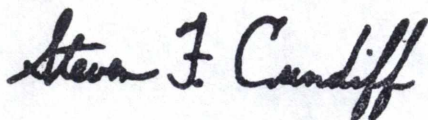
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Okay School District No. 73-I001's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's 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.

October 10, 2016

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

Steven F. Cundiff, CPA, Inc.



OKAY SCHOOL DISTRICT NO. 73-1001  
Wagoner County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
OKLAHOMA STATE DEPARTMENT OF EDUCATION  
June 30, 2016

Description	Project Code	Revenue Code	CFDA #	Grant Award	Grant		Expenditures	Grant Receivable 6/30/2016
					7/1/2015	Receipts		
<b>US Department of Education</b>								
Direct programs:								
Title VII Indian Education	561	4140	84.060A	\$ 29,612.00	\$ -	\$ 29,612.00	\$ 29,612.00	\$ -
Title VI Small Rural School Achievement Program	588	4180	84.358A	22,369.00	-	22,369.00	22,369.00	-
Passed through Oklahoma State Department of Education:								
Title I Cluster								
Title I Part A Basic	511	4210	84.010	110,424.94	-	109,168.01	109,418.01	250.00
Title I Part A School Support	515	4210	84.010	967.17	5,557.86	6,525.03	967.17	-
Total for Program (Cluster)				111,392.11	5,557.86	115,693.04	110,385.18	250.00
REAP Title II, Part A	586	4271	84.367	19,727.65	-	19,727.65	19,727.65	-
Special Education Cluster:								
Idea Part B Flowthrough	621	4310	84.027	97,942.58	-	97,942.58	97,942.58	-
Idea Part B Preschool	641	4340	84.173	5,569.86	1,821.47	7,391.33	5,569.86	-
Total for Program (Cluster)				103,512.44	1,821.47	105,333.91	103,512.44	-
<b>US Department of Agriculture</b>								
Passed through State Department of Education								
Child Nutrition Cluster:								
Farm Bill Equipment Grant - cash assistance	791	4780	10.555	22,218.89	-	22,218.89	22,218.89	-
School Breakfast Program - cash assistance	764	4720	10.553	32,566.35	(9,348.94)	32,566.35	41,915.29	-
National School Lunch Program:								
Cash assistance	763	4710	10.555	103,555.39	(19,548.18)	103,555.39	117,049.35	(6,054.22)
Passed through State Department of Human Services								
Non-cash assistance: commodities								
Total National School Lunch Program			10.555	10,704.12	-	10,704.12	10,704.12	-
Total for Program (Cluster)				114,259.51	(19,548.18)	114,259.51	127,753.47	(6,054.22)
				169,044.75	(28,897.12)	169,044.75	191,887.65	(6,054.22)
<b>Other Federal Assistance</b>								
Passed through Wagoner County Flood Control	770	4162	83.536	460.44	-	460.44	460.44	-
Passed through the Cherokee Nation JOM Program	563	4550	15.130	6,885.00	250.00	3,745.11	6,779.61	3,284.50
Total Federal Financial Assistance				\$ 463,003.39	\$ (21,267.79)	\$ 465,985.90	\$ 484,733.97	\$ (2,519.72)

Note A: Food Distribution: Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.  
Note B: This schedule was prepared using the regulatory basis of accounting consistent with the preparation of the combined financial statements, except for the nonmonetary assistance noted in Note A.  
Note C: The original payment notice form the Oklahoma Department of Education showed revenue coding for all textbook monies to be Project Code 333 and Source Code 3420. After the OCAS data was certified, the Oklahoma Department of Education determined that part of the textbook monies were actually federal monies and should have been coded to Project Code 787 and Source Code 4687. Thus, the federal grant receivable has been restated at the beginning of the year to show the change in federal grant receivable/payable.



**OKAY SCHOOL DISTRICT NO. 73-I001  
Wagoner County, Oklahoma**

**SCHEDULE OF CURRENT YEAR AND PRIOR YEAR AUDIT FINDINGS  
OKLAHOMA STATE DEPARTMENT OF EDUCATION  
For the Year Ended JUNE 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:

With respect to conformity with

Adverse

Generally Accepted Accounting Principles

With respect to the use of Regulatory basis of accounting and  
the omission of the general fixed asset group

Qualified - due to omission  
of the general fixed asset group

Internal control over financial reporting:

Material weakness(es) identified?

No

Reportable condition(s) identified

not considered to be material weaknesses?

None reported

Noncompliance material to financial statements noted?

No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported in the current year.

No prior year matters were reported to be followed up on.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported in the current year.

No prior year matters were reported to be followed up on.



**OKAY SCHOOL DISTRICT NO. 73-I001  
Wagoner County, Oklahoma**

**SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
OKLAHOMA STATE DEPARTMENT OF EDUCATION  
JULY 1, 2015 TO JUNE 30, 2016**

State of Oklahoma

County of Wagoner

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

Steven F. Cundiff, C.P.A., Inc.  
Auditing Firm

by \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me this 10th day of October, 2016.

\_\_\_\_\_  
Notary Public

My Commission Expires: September 27, 2017 - #01016317

**OKAY SCHOOL DISTRICT NO. 73-1001  
Wagoner County, Oklahoma**

**SCHEDULE OF STATUTORY, FIDELITY, AND HONEST BONDS  
OKLAHOMA STATE DEPARTMENT OF EDUCATION  
For the Year Ending June 30, 2016**

<u>Position</u>	<u>Bonded By</u>	<u>Policy Number</u>	<u>Term</u>	<u>Amount</u>
Superintendent	Western Surety Co.	0601-69965246	8-24-05/Indefinite	100,000.00
Treasurer	Western Surety Co.	SCH3522808	7-6-14/7-6-15 7-6-15/7-6-16	100,000.00
Encumbrance Clerk	Western Surety Co.	0601-69965246	8-24-04/Indefinite	100,000.00
Activity Fund Custodian	Western Surety Co.	0601-69965246	8-24-04/Indefinite	5,000.00
Minutes Clerk	Western Surety Co.	069-69965246	8-24-04/Indefinite	5,000.00