

**FINANCIAL STATEMENTS - REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITORS'**

**PONCA CITY SCHOOL DISTRICT NO. 1-71,  
Kay County, Oklahoma**

**JUNE 30, 2016**

**Audited by**

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.  
SHAWNEE, OK**

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2016**

BOARD OF EDUCATION

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**PONCA CITY SCHOOL DISTRICT NO. I-71  
 Kay County, Oklahoma  
 JUNE 30, 2016**

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# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Board of Education  
Ponca City School District Number I-71  
Kay County, Oklahoma

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

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Ponca City School District No. I-71, Kay County, Oklahoma (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's regulatory 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 the financial reporting provisions of the Oklahoma State Department of Education: this includes 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.

### **Auditors' 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 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 meet 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 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 the District as of June 30, 2016, or the changes in its financial position, 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 balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2016, and the revenues collected, expenditures paid and encumbered, and budgetary results, 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 financial statements that collectively comprise the District’s combined financial statements. The combining statements-regulatory basis, are presented for purposes of additional analysis and are not a required part of the combined 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 combined 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements 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 February 27, 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.

*Wilson, Dotson & Associates*

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma  
February 27, 2017

**PONCA CITY SCHOOL DISTRICT NO. I-71**  
**Kay County, Oklahoma**

**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2016**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TRUST & AGENCY FUNDS	GENERAL LONG-TERM DEBT	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TRUST &amp; AGENCY FUNDS</u>	<u>GENERAL LONG-TERM DEBT</u>	
<b>ASSETS</b>							
Cash and investments	\$ 6,382,041	2,534,170	8,655,495	3,214,481	1,607,124	-	22,393,311
Amounts available in debt service	-	-	-	-	-	3,214,481	3,214,481
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	16,345,519	16,345,519
<b>Total Assets</b>	<b><u>\$ 6,382,041</u></b>	<b><u>2,534,170</u></b>	<b><u>8,655,495</u></b>	<b><u>3,214,481</u></b>	<b><u>1,607,124</u></b>	<b><u>19,560,000</u></b>	<b><u>41,953,311</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Warrants payable	\$ 2,454,887	492,455	911,618	-	50	-	3,859,010
Encumbrances	95,144	28,517	699,925	-	-	-	823,586
Funds held for school organizations	-	-	-	-	783,906	-	783,906
<b>Long-term debt:</b>							
Bonds payable	-	-	-	-	-	19,560,000	19,560,000
<b>Total liabilities</b>	<b><u>2,550,031</u></b>	<b><u>520,972</u></b>	<b><u>1,611,543</u></b>	<b><u>-</u></b>	<b><u>783,956</u></b>	<b><u>19,560,000</u></b>	<b><u>25,026,502</u></b>
<b>Fund balances</b>							
Restricted	-	2,013,198	7,043,952	3,214,481	823,168	-	13,094,799
Unassigned	3,832,010	-	-	-	-	-	3,832,010
<b>Total fund balances</b>	<b><u>3,832,010</u></b>	<b><u>2,013,198</u></b>	<b><u>7,043,952</u></b>	<b><u>3,214,481</u></b>	<b><u>823,168</u></b>	<b><u>-</u></b>	<b><u>16,926,809</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 6,382,041</u></b>	<b><u>2,534,170</u></b>	<b><u>8,655,495</u></b>	<b><u>3,214,481</u></b>	<b><u>1,607,124</u></b>	<b><u>19,560,000</u></b>	<b><u>41,953,311</u></b>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPE</u>	<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>EXPENDABLE TRUST</u>	<u>(MEMORANDUM ONLY)</u>
Revenues collected:						
Local sources	\$ 10,312,890	2,349,341	16,891	6,023,630	148,688	18,851,440
Intermediate sources	1,150,405	-	-	-	-	1,150,405
State sources	19,430,530	328,700	-	3	-	19,759,233
Federal sources	2,641,546	2,121,465	-	-	-	4,763,011
Non-revenue receipts	<u>224,833</u>	<u>40,192</u>	<u>-</u>	<u>5,072</u>	<u>-</u>	<u>270,097</u>
Total revenues collected	<u>33,760,204</u>	<u>4,839,698</u>	<u>16,891</u>	<u>6,028,705</u>	<u>148,688</u>	<u>44,794,186</u>
Expenditures:						
Instruction	20,026,803	-	900,703	-	15,145	20,942,651
Support services	13,880,242	1,338,948	4,693,868	-	18,337	19,931,395
Operation of non-instruction services	-	3,169,904	-	-	500	3,170,404
Facilities acquisition & construction services	-	445,256	557,914	-	-	1,003,170
Other outlays	<u>147,346</u>	<u>85,657</u>	<u>-</u>	<u>5,531,346</u>	<u>-</u>	<u>5,764,349</u>
Total expenditures	<u>34,054,391</u>	<u>5,039,765</u>	<u>6,152,485</u>	<u>5,531,346</u>	<u>33,982</u>	<u>50,811,969</u>
			-			
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(294,187)	(200,067)	(6,135,594)	497,359	114,706	(6,017,783)
Adjustments to prior year encumbrances	39,446	36,566	-	-	-	76,012
Other financing sources (uses)						
Bond sales proceeds	<u>-</u>	<u>-</u>	<u>6,415,000</u>	<u>-</u>	<u>-</u>	<u>6,415,000</u>
Excess of revenues collected over (under) expenditures and other financing sources (uses)	(254,741)	(163,501)	279,406	497,359	114,706	473,229
Fund balances, beginning of year	<u>4,086,751</u>	<u>2,176,699</u>	<u>6,764,546</u>	<u>2,717,122</u>	<u>708,462</u>	<u>16,453,580</u>
Fund balances, end of year	<u>\$ 3,832,010</u>	<u>2,013,198</u>	<u>7,043,952</u>	<u>3,214,481</u>	<u>823,168</u>	<u>16,926,809</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.



**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 9,684,672	10,312,890	10,312,890	-
Intermediate sources	1,075,000	1,150,405	1,150,405	-
State sources	20,095,007	19,430,530	19,430,530	-
Federal sources	2,888,072	2,641,546	2,641,546	-
Non-revenue receipts	61,500	224,833	224,833	-
Total revenues collected	<u>33,804,251</u>	<u>33,760,204</u>	<u>33,760,204</u>	-
Expenditures:				
Instruction	19,874,000	20,026,803	20,026,803	-
Support services	13,796,000	13,880,242	13,880,242	-
Operation of non-instruction services	15,000	-	-	-
Other outlays	565,000	147,346	147,346	-
Total expenditures	<u>34,250,000</u>	<u>34,054,391</u>	<u>34,054,391</u>	-
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(445,749)	(294,187)	(294,187)	-
Adjustments to prior year encumbrances	-	39,446	39,446	-
Excess of revenues collected over (under) expenditures	(445,749)	(254,741)	(254,741)	-
Fund balance, beginning of year	<u>4,060,353</u>	<u>4,086,751</u>	<u>4,086,751</u>	-
Fund balance, end of year	<u>\$ 3,614,604</u>	<u>3,832,010</u>	<u>3,832,010</u>	-

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2016**

	SPECIAL REVENUE FUNDS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 2,244,850	2,349,341	2,349,341	-
State sources	318,000	328,700	328,700	-
Federal sources	1,975,836	2,121,465	2,121,465	-
Non-revenue receipts	14,050	40,192	40,192	-
Total revenues collected	4,552,736	4,839,698	4,839,698	-
Expenditures:				
Support services	558,000	1,338,948	1,338,948	-
Operation of non-instruction services	3,264,675	3,169,904	3,169,904	-
Facilities acquisition & construction services	660,000	445,256	445,256	-
Other outlays	193,100	85,657	85,657	-
Total expenditures	4,675,775	5,039,765	5,039,765	-
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(123,039)	(200,067)	(200,067)	-
Adjustments to prior year encumbrances	-	36,566	36,566	-
Excess of revenues collected over (under) expenditures	(123,039)	(163,501)	(163,501)	-
Fund balance, beginning of year	1,314,268	2,176,699	2,176,699	-
Fund balance, end of year	\$ 1,191,229	2,013,198	2,013,198	-

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2016**

	SINKING FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 5,702,993	6,023,630	6,023,630	-
State sources	-	3	3	-
Non-revenue receipts	-	5,072	5,072	-
Total revenues collected	5,702,993	6,028,705	6,028,705	-
Expenditures:				
Other outlays	5,531,346	5,531,346	5,531,346	-
Excess of revenues collected over (under) expenditures	171,647	497,359	497,359	-
Fund balance, beginning of year	2,712,853	2,717,122	2,717,122	-
Fund balance, end of year	\$ 2,884,500	3,214,481	3,214,481	-

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Ponca City School District Number I-71, Ponca City, Kay County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The 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 elected members. The appointed superintendent is the executive officer of the District.

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

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Measurement Focus**

The accounts of the District are organized and operate on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

**Governmental funds** – are used to account for most of the District's general activities and general long-term debt account group, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Measurement Focus – cont'd**

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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.

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

Debt Service fund – consists of the District's Sinking fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Projects fund – consists of the District's Bond funds and accounts for the proceeds of bonds sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

**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 "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 operation.

Expendable Trust Funds - Expendable trust funds includes the District's gifts fund. The gifts 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.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Measurement Focus – cont'd**

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

**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.

General Long-term Debt Account Group – is used to account for the outstanding principal balances of 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.

**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 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 financial statements.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**C. Basis of Accounting and Presentation – cont'd**

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.

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

**1. Deposits and Investments**

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

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

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

**4. Interfund Transactions**

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.



**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd**

**5. Inventories**

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

**6. Fixed Assets**

The regulatory basis of accounting prescribed by the Oklahoma State Board of Education requires the presentation of fixed assets. The District has not maintained a record of its fixed assets, and, accordingly, a statement of fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

**7. Compensated Absences**

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

**8. Long-term Obligations**

The District reports long-term debt at face value in the general long-term debt account group. 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.

**9. Fund Balance Classifications**

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 note receivables, 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).

**PONCA CITY SCHOOL DISTRICT NO. I-71  
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**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd**

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

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

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

Committed Fund Balance – The fund balance should be reported as committed for 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.

Assigned Fund Balance – The fund balance should be reported as assigned for 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 – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**10. Property Taxes 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 tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. 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 assessment. If not paid by the following October 1, the property is offered for sale for the amount of the taxes due. The owner

**PONCA CITY SCHOOL DISTRICT NO. I-71  
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**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd**

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 are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

**11. Intermediate Revenues**

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

**12. State Revenues**

Revenues from state sources for current operations are primarily governed by 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.

**13. 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.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd**

**14. 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.

**15. 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.

**16. Operation of Non-Instructional Services Expenditures**

These expenditures are activities concerned with providing non-instructional services to students, staff or the community.

**17. Facilities Acquisition and Construction Services Expenditures**

These expenditures consist 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.

**18. 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) and certain transfers of monies from one fund to another.

**19. Other Uses Expenditures**

Other uses expenditures include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also,

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd**

expenditures for self-funded employee benefit programs administered either by the District or a third-party administrator.

**20. 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.

**21. 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 reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

**22. Memorandum Only – Total Columns**

Total columns on the combined financial statements are captioned “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

**23. Resource Use Policy**

It is the District’s policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District’s policy when an expenditure is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the District considers committed amounts to be spent first followed by assigned amounts and lastly unassigned amounts.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

The District is required by state law to prepare an annual budget. The District has adopted the School District Budget Act. The School District Budget Act assists school districts in improving and implementing generally accepted standards of financial management as promulgated by the Governmental Accounting Standards Board (GASB). The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. The District is required to hold a public hearing on the budget 45 days prior to July 1<sup>st</sup>. After the public hearing, but by July 1<sup>st</sup>, the budget is adopted by the board of education. Once adopted, the budget is filed with the State Auditor and Inspector's Office. Amended appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to 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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont'd**

**A. Deposits and Investments – cont'd**

At June 30, 2016 the District held deposits of approximately \$19,438,899 and investments of \$3,000,000 at financial institutions. The District's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. Therefore, the District was not exposed to custodial credit risk as defined above.

*Investment Credit Risk*

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

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont'd**

**A. Deposits and Investments – cont'd**

The investments held at June 30, 2016 are as follows:

<u>Type</u>	<u>Weighted Average Maturity (Months)</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Investments:				
Certificates of deposit	12	N/A	<u>\$ 3,000,000</u>	<u>3,000,000</u>

The District had no investment credit risk as of June 30, 2016, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2016, the District had 100% of its investments in certificates of deposit.

**B. Long-term Debt**

State statues 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. Debt Service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

On June 1, 2012, the District issued building bonds in the amount of \$6,160,000 with an interest rate of 1.00%. Bond maturities began June 1, 2014 with increments of \$1,540,000 per year, with a final maturity of \$1,540,000 due June 1, 2017.



**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont'd**

**B. Long-term Debt – cont'd**

On May 1, 2013, the District issued combined purpose bonds in the amount of \$9,975,000 with interest rates ranging from .60% to .75%. Bond maturities began May 1, 2015 with an initial payment of \$2,475,000, increments of \$2,500,000 per year thereafter, with a final maturity of \$2,500,000 due May 1, 2018.

On May 1, 2014, the District issued building bonds in the amount of \$775,000 with interest rates ranging from 1.00% to 1.375%. Bond maturities began May 1, 2016 with an initial payment of \$175,000, increments of \$200,000 per year thereafter, with a final maturity of \$200,000 due May 1, 2019.

On May 1, 2015, the District issued building bonds in the amount of \$6,005,000 with interest rates ranging from 1.00% to 1.20%. Bond maturities begin May 1, 2017 with increments of \$1,500,000 per year, with a final maturity of \$1,505,000 due May 1, 2020.

On January 1, 2016, the District issued building bonds in the amount of \$1,360,000 with an interest rate of 1.50%. Bond maturities begin January 1, 2018 with an initial payment of \$325,000, increments of \$345,000 per year thereafter, with a final maturity of \$345,000 due January 1, 2021.

On May 1, 2016, the District issued combined purpose bonds in the amount of \$5,055,000 with interest rates ranging from 1.00% to 1.25%. Bond maturities begin May 1, 2018 with increments of \$1,250,000 per year, with a final maturity of \$1,305,000 due May 1, 2021.

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2017	\$ 5,740,000	180,473	5,920,473
2018	5,775,000	173,872	5,948,872
2019	3,295,000	100,148	3,395,148
2020	3,100,000	60,347	3,160,347
2021	1,650,000	21,488	1,671,488
Total	<u>\$ 19,560,000</u>	<u>536,328</u>	<u>20,096,328</u>

Interest paid on general long-term debt during the current year totaled \$176,346.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS – cont’d**

**C. Changes in General Long-term Debt**

General long-term debt consists of general obligation bonds payable. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	July 1, 2015	Additions	Deletions	Retirements	June 30, 2016
Bonds	\$ 18,500,000	6,415,000	-	5,355,000	19,560,000

**4. OTHER INFORMATION**

**A. 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 these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District also participates in a risk pool for Worker’s compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. 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 contracting 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 District’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 their loss fund in three years it is returned to them with no interest.

**B. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**4. OTHER INFORMATION – cont'd**

**C. 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 \$184,032.

**D. Employee Retirement System and Plan**

Description of Plan

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

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The non-funded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

Actuarial Accrued Liability	\$ 22,193,244,472
Actuarial Value of Assets	<u>14,577,868,730</u>
Unfunded Actuarial Accrued Liability	<u>\$ 7,615,375,742</u>

Funding Policy

The District, the State of Oklahoma, and the participating employees 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

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2016**

**4. OTHER INFORMATION – cont'd**

**D. Employee Retirement System and Plan – cont'd**

employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.00% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 8.25%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District's employer contribution rate was 9.50%. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions, including the state offset, for 2016, 2015, and 2014 were \$3,352,214, \$3,277,933 and \$3,289,952, respectively.

**E. Surety Bonds**

The treasurer is bonded through Liberty Mutual Surety, policy number LSF041324 for the penal sum of \$100,000, term beginning July 8, 2015 and ending July 8, 2016. This is a renewal of a continuous bond.

The deputy treasurer/minutes clerk is bonded through Liberty Mutual Surety, policy number 601074065 for the penal sum of \$100,000, term beginning March 10, 2016 and ending March 10, 2017.

The activity fund custodians are bonded with Ohio Casualty Bond through Liberty Mutual, bond number 1597046 for the penal sum of \$1,000 per position, term beginning December 2, 2015 and ending December 2, 2016. This is a renewal of a continuous bond.

The encumbrance clerk is bonded through Liberty Mutual, policy number LSF041546 for the penal sum of \$100,000, term beginning July 1, 2015 and ending July 1, 2016. This is a renewal of a continuous bond.

The superintendent is bonded through Liberty Mutual Surety, policy number LSF041548 for the penal sum of \$100,000, term beginning July 1, 2015 and ending July 1, 2016. This is a renewal of a continuous bond,

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

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

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	<u>\$ 1,782,865</u>	<u>751,305</u>	<u>2,534,170</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 438,661	53,794	492,455
Encumbrances	<u>17,907</u>	<u>10,610</u>	<u>28,517</u>
Total liabilities	<u>456,568</u>	<u>64,404</u>	<u>520,972</u>
 Fund balances			
Restricted	<u>1,326,297</u>	<u>686,901</u>	<u>2,013,198</u>
 Total Liabilities and Fund Balances	<u>\$ 1,782,865</u>	<u>751,305</u>	<u>2,534,170</u>

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN  
FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
Revenues collected:			
Local sources	\$ 1,661,237	688,104	2,349,341
State sources	1	328,699	328,700
Federal sources	-	2,121,465	2,121,465
Non-revenue receipts	<u>29,982</u>	<u>10,210</u>	<u>40,192</u>
Total revenues collected	<u>1,691,220</u>	<u>3,148,478</u>	<u>4,839,698</u>
Expenditures:			
Support services	1,338,948	-	1,338,948
Operation of non-instruction services	-	3,169,904	3,169,904
Facilities acquisition & construction services	445,256	-	445,256
Other outlays	<u>78,084</u>	<u>7,573</u>	<u>85,657</u>
Total expenditures	<u>1,862,288</u>	<u>3,177,477</u>	<u>5,039,765</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(171,068)	(28,999)	(200,067)
Adjustments to prior year encumbrances	<u>36,566</u>	<u>-</u>	<u>36,566</u>
Excess of revenues collected over (under) expenditures	(134,502)	(28,999)	(163,501)
Fund balances, beginning of year	<u>1,460,799</u>	<u>715,900</u>	<u>2,176,699</u>
Fund balances, end of year	<u>\$ 1,326,297</u>	<u>686,901</u>	<u>2,013,198</u>

**PONCA CITY SCHOOL DISTRICT NO. I-71**  
**Kay County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	BUILDING FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 1,374,900	1,661,237	1,661,237	-
State sources	-	1	1	-
Non-revenue receipts	-	29,982	29,982	-
Total revenues collected	1,374,900	1,691,220	1,691,220	-
Expenditures:				
Support services	558,000	1,338,948	1,338,948	-
Facilities acquisition & construction services	660,000	445,256	445,256	-
Other outlays	80,000	78,084	78,084	-
Total expenditures	1,298,000	1,862,288	1,862,288	-
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	76,900	(171,068)	(171,068)	-
Adjustments to prior year encumbrances	-	36,566	36,566	-
Excess of revenues collected over (under) expenditures	76,900	(134,502)	(134,502)	-
Fund balance, beginning of year	810,559	1,460,799	1,460,799	-
Fund balance, end of year	\$ 887,459	1,326,297	1,326,297	-

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>CHILD NUTRITION FUND</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenues collected:				
Local sources	\$ 869,950	688,104	688,104	-
State sources	318,000	328,699	328,699	-
Federal sources	1,975,836	2,121,465	2,121,465	-
Non-revenue receipts	<u>14,050</u>	<u>10,210</u>	<u>10,210</u>	-
Total revenues collected	<u>3,177,836</u>	<u>3,148,478</u>	<u>3,148,478</u>	-
Expenditures:				
Operation of non-instruction services	3,264,675	3,169,904	3,169,904	-
Other outlays	<u>113,100</u>	<u>7,573</u>	<u>7,573</u>	-
Total expenditures	<u>3,377,775</u>	<u>3,177,477</u>	<u>3,177,477</u>	-
Excess of revenues collected over (under) expenditures	(199,939)	(28,999)	(28,999)	-
Fund balance, beginning of year	<u>503,709</u>	<u>715,900</u>	<u>715,900</u>	-
Fund balance, end of year	<u>\$ 303,770</u>	<u>686,901</u>	<u>686,901</u>	-



**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
JUNE 30, 2016**

	EXPENDABLE TRUST FUND GIFTS FUND	AGENCY FUND ACTIVITY FUND	TOTAL
<u>ASSETS</u>			
Cash and investments	\$ 823,218	783,906	1,607,124
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 50	-	50
Funds held for school organizations	-	783,906	783,906
Total liabilities	50	783,906	783,956
 Fund balances			
Restricted	823,168	-	823,168
 Total Liabilities and Fund Balances	\$ 823,218	783,906	1,607,124

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>ASSETS</u>	<u>BALANCE 7-01-15</u>	<u>ADDITIONS</u>	<u>ADJUST./ TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE 6-30-16</u>
Cash	\$ 766,215	1,159,736	-	1,142,045	783,906
 <u>LIABILITIES</u>					
Funds held for school organizations:					
Athletics	\$ 112,914	160,773	(55)	147,779	125,853
HS Color Guard	1,684	1,339	-	1,287	1,736
HS Vocal Music	18,569	20,799	(200)	27,281	11,887
Campus Mart	23,176	6,209	1,728	10,434	20,679
HS I Can Work Program	695	959	60	589	1,125
Hospitality	4,631	6,579	(150)	5,529	5,531
Petty Cash	-	1,800	-	1,800	-
Recognition Account	38,981	11,799	552	3,136	48,196
General	77,565	105,207	880	94,422	89,230
HS Instrumental Music (810)	16,421	60,971	-	57,401	19,991
HS Bookstore	9,704	4,919	3,450	10,899	7,174
Library	2,651	12,089	-	12,548	2,192
Pictures	16,346	15,572	(831)	8,305	22,782
HS Instrumental Music (815)	13,591	50,053	-	49,288	14,356
Capital Expenditures	20,057	8,904	-	14,418	14,543
Girls Basketball	599	8,196	-	5,332	3,463
HS Wildcat Academy	832	1,087	(30)	1,444	445
HS Carnival/ASP	7,735	797	1,019	2,972	6,579
Union Leaders	907	-	-	346	561
HS AP Testing	6,168	11,572	-	10,852	6,888
HS Multi-Cultural Club	4	-	-	-	4
HS Art Club	22,635	6,201	-	1,465	27,371
Soccer Fundraiser	2,348	15,188	-	14,767	2,769
HS Varsity Cheerleaders	12,965	40,597	(624)	43,738	9,200
Wrestling Fundraiser	1,419	6,346	200	7,681	284
JH Softball Fundraiser	4,057	10,254	-	7,169	7,142
Boys Basketball	1,573	1,087	-	1,533	1,127
HS Drama/Debate	910	-	-	-	910
Football Fundraiser	3,607	26,742	-	19,007	11,342
HS DECA	6,622	64,992	(175)	67,125	4,314
HS Panic	1,753	2,890	(2,302)	841	1,500
HS Drill Team	9,529	61,115	(595)	53,477	16,572

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> 7-01-15	<u>ADDITIONS</u>	<u>ADJUST./</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-16
Funds held for school organizations - cont'd:					
Baseball Fundraiser	\$ 13,928	11,759	-	20,075	5,612
Volleyball	11,711	22,745	-	21,175	13,281
HS FFA	3,919	77,397	(1,680)	74,292	5,344
HS FCCLA	746	5,877	-	5,525	1,098
HS Laptop Fees	-	31,567	-	31,567	-
HS Foreign Language Club	2,039	5,081	-	5,153	1,967
Athletic Training	129	287	-	-	416
Swimming	3,789	753	-	2,840	1,702
Quarterback Club	12,106	9,487	(20)	14,493	7,080
HS Howell Auditorium	100	-	-	-	100
HS Junior Class Prom	946	5,240	-	5,293	893
HS Junior Class	1,516	11,690	-	11,102	2,104
HS Key Club	1,748	200	-	408	1,540
HS Freshman Cheerleaders	538	5,863	(146)	6,035	220
HS Library	8,180	10,560	-	11,882	6,858
HS Renaissance	506	-	-	-	506
HS Desktop Publishing	3	-	-	-	3
HS Math Department	141	-	-	-	141
HS National Honor Society	1,437	700	-	900	1,237
WMS Challenge	4,624	-	(4,624)	-	-
HS English Department	302	3,251	-	3,510	43
BPA	11,295	3,447	307	4,103	10,946
HS Robotics	36,857	500	-	9,202	28,155
HS Astronomy Club	235	-	-	-	235
HS ACC-Asian Club	49	-	-	-	49
HS 2M2L	474	3,134	-	2,855	753
HS Science Club	1,171	-	-	313	858
HS Senior Class	6,284	13,100	401	17,095	2,690
HS Shop	5,562	-	-	-	5,562
HS Miss Po-Hi Pageant	1,087	-	-	1,000	87
HS Friends of Rachel	-	1,432	-	151	1,281
HS Robson Rowdys	9	-	-	-	9
HS Student Council	2,647	31,484	1,615	32,916	2,830
HS AFRO AM	4,332	5,225	-	2,202	7,355
HS Testing	8,567	5,400	-	1,885	12,082
HS Yearbook	36,082	26,149	590	38,418	24,403
HS Challenge	339	-	-	-	339
Harrier Parent Club	1,199	5,828	-	4,937	2,090
EMS Titans	1,729	1,900	(576)	2,186	867

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> <u>7-01-15</u>	<u>ADDITIONS</u>	<u>ADJUST./</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-16</u>
Funds held for school organizations - cont'd:					
EMS Computers	\$ 25	-	-	-	25
EMS Champions	1,726	1,970	(602)	2,363	731
Channel 19	13,645	1,020	-	-	14,665
Serve & Volley	2,785	13,968	-	12,722	4,031
EMS Special Education	857	-	-	460	397
EMS 1 On 1 Laptop Digital	-	10,955	-	10,955	-
EMS Newspaper	1	-	-	-	1
HS Cheerleaders	8,290	16,997	175	10,403	15,059
HS Swamp Week	-	715	-	-	715
EMS Math Counts	35	-	-	-	35
EMS Home Economics	3,280	-	1,342	2,746	1,876
Teen Pep	8	-	-	-	8
Golf-Parents	3,857	-	-	484	3,373
EMS Science	1,873	900	-	1,233	1,540
EMS TSA Club	1	-	-	-	1
EMS Spanish	203	-	-	-	203
EMS Student Council	622	2,761	(615)	1,371	1,397
EMS Yearbook	438	5,375	-	4,514	1,299
EMS BPA	2,269	1,237	-	1,563	1,943
EMS Mixed Chorus	2,737	-	-	1,958	779
EMS Principals	2,563	552	145	1,623	1,637
EMS FCA	195	314	-	466	43
EMS All Stars	1,958	2,035	(363)	2,477	1,153
EMS East Parent Coalition	522	100	-	100	522
WMS Navigators	1,265	2,350	-	3,375	240
WMS Sewing	1,061	2,412	-	3,096	377
WMS Chorus	4,554	16,969	-	16,305	5,218
WMS Student Council	4,329	1,929	-	2,156	4,102
WMS Principals	44,496	14,542	4,716	19,839	43,915
WMS Environmental Club	192	-	(92)	24	76
HS Car Registration	11,232	13,260	(5,000)	1,323	18,169
HS Student ID	2,012	285	-	1,700	597
WMS Pioneer Team	4,214	2,160	-	4,030	2,344
WMS Technology	843	1,249	-	535	1,557
WMS Yearbook	4,789	5,422	-	4,853	5,358
WMS Art	3,406	1,255	-	1,229	3,432
WMS 6th Grade Academy	1,580	-	-	-	1,580
WMS Eagle Team	1,270	2,195	-	1,811	1,654
WMS Explorer Team	949	2,795	-	2,582	1,162

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> <u>7-01-15</u>	<u>ADDITIONS</u>	<u>ADJUST./</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-16</u>
Funds held for school organizations - cont'd:					
WMS School Lion Team	\$ 134	2,320	-	1,903	551
West Food Pantry	698	-	-	252	446
WMS Tracker Team	591	2,266	-	2,474	383
EMS Health and Fitness	1,344	-	1,500	1,600	1,244
EMS Literacy	454	-	-	-	454
Track Fundraiser	1,938	4,336	-	3,142	3,132
<b>TOTAL LIABILITIES</b>	<b>\$ 766,215</b>	<b>1,159,736</b>	<b>-</b>	<b>1,142,045</b>	<b>783,906</b>

**PONCA CITY SCHOOL DISTRICT NO. I-71**  
**Kay County, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
<b><u>U.S. Department of Education:</u></b>							
<b><u>Direct Programs:</u></b>							
Title VIII Impact Aid Operations	84.041	591	\$ -	-	43,911	43,911	-
Title VIII Impact Aid Operations	84.041	592	-	-	19,968	19,968	-
Title VIIA, Indian Education	84.060A	561	219,130	-	-	219,130	-
Title VIIA, Indian Education 2014-15 - Note 1	84.060A	799	-	-	222,022	-	-
Sub Total			<u>219,130</u>	<u>-</u>	<u>285,901</u>	<u>283,009</u>	<u>-</u>
<b><u>Passed Through Oklahoma Department of Education:</u></b>							
Title I *	84.010	511	1,236,460	-	758,401	1,078,983	157,477
Title I 2014-15 - Note 1	84.010	799	-	-	705,501	-	-
Title I School Improvement *	84.010	515	24,569	-	24,569	24,569	-
Title I Neglected *	84.010	518	42,211	-	13,522	39,300	2,911
Title I Neglected 2014-15 - Note 1	84.010	799	-	-	40,904	-	-
Title I Cluster			<u>1,303,240</u>	<u>-</u>	<u>1,542,897</u>	<u>1,142,852</u>	<u>160,388</u>
IDEA-B Flow Through *	84.027	621	1,121,144	-	357,831	1,039,511	81,633
IDEA-B Flow Through 2014-15 - Note 1	84.027	799	-	-	125,711	-	-
IDEA-B Private Schools *	84.027	625	27,646	-	-	27,646	-
IDEA-B Private Schools 2014-15 - Note 1	84.027	799	-	-	135	-	-
IDEA-B Preschool *	84.173	641	27,482	-	8,943	27,083	399
IDEA-B Preschool 2014-15 - Note 1	84.173	799	-	-	4,710	-	-
Special Education Cluster			<u>1,176,272</u>	<u>-</u>	<u>497,330</u>	<u>1,094,240</u>	<u>82,032</u>
Title VIB, Rural & Low Income School Program	84.358	587	168,936	-	29,866	75,471	93,465
Title VIB, Rural & Low Income School Program 2014-15 - Note 1	84.358	799	-	-	2,786	-	-
Title IIIA, Limited English Proficient	84.365	572	24,131	-	3,111	11,504	12,627
Title IIIA, Limited English Proficient 2014-15 - Note 1	84.365	799	-	-	7,935	-	-
Title IIA, Teacher and Principal Training/Recruiting	84.367	541	272,923	-	80,686	199,704	73,219
Title IIA, Teacher and Principal Trng/Recruiting 2014-15 - Note 1	84.367	799	-	-	74,277	-	-
Consolidated Administrative Costs	Various	786	54,000	-	20,631	49,969	4,031
Consolidated Administrative Costs 2014-15 - Note 1	Various	799	-	-	4,363	-	-
Sub Total			<u>519,990</u>	<u>-</u>	<u>223,655</u>	<u>336,648</u>	<u>183,342</u>

**PONCA CITY SCHOOL DISTRICT NO. I-71**  
**Kay County, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
<u>Passed Through Oklahoma Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048	421	\$ 44,999	-	-	41,252	3,747
Carl Perkins Grant 2014-15 - Note 1	84.048	799	-	-	47,584	-	-
Carl Perkins Supplemental Grant 2014-15 - Note 1	84.048	799	-	-	17,078	-	-
Sub Total			44,999	-	64,662	41,252	3,747
<b>Total U.S. Department of Education</b>			<u>3,263,631</u>	<u>-</u>	<u>2,614,445</u>	<u>2,898,001</u>	<u>429,509</u>
 <u>U.S. Department of Health and Human Services:</u>							
<u>Passed Through Oklahoma Department of Human Services:</u>							
Vocational Rehabilitation Services	84.126	456	-	-	13,186	13,186	-
<b>Total U.S. Department of Health and Human Services</b>			<u>-</u>	<u>-</u>	<u>13,186</u>	<u>13,186</u>	<u>-</u>
 <u>U.S. Department of Agriculture:</u>							
<u>Passed Through Oklahoma Department of Education:</u>							
School Breakfast Program	10.553	764	-	25,695.00	495,980	506,927	14,748
National School Lunch Program	10.555	763	-	207,286	1,615,191	1,760,717	61,760
National School Lunch Program - commodities - Note 2	10.555		-	-	184,032	184,032	-
Summer Feeding Program	10.559	766	-	33,251	10,294	24,110	19,435
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>266,232</u>	<u>2,305,497</u>	<u>2,475,786</u>	<u>95,943</u>
 <u>Other Federal Assistance:</u>							
In Lieu of Public Housing	Unknown	770	-	-	11,749	11,749	-
Flood Control	12.112	775	-	-	2,166	2,166	-
<b>Total Other Federal Assistance</b>			<u>-</u>	<u>-</u>	<u>13,915</u>	<u>13,915</u>	<u>-</u>
 Total Expenditures of Federal Awards - Note 3			<u>\$ 3,263,631</u>	<u>266,232</u>	<u>4,947,043</u>	<u>5,400,888</u>	<u>525,452</u>

Note 1: These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2: This amount represents federal non-cash assistance received in the form of commodities.

Note 3: Commodities received in the amount of \$184,032 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

\* - Major program

# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

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

The Honorable Board of Education  
Ponca City School District Number I-71  
Kay 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 fund type and account group financial statements, regulatory basis, of the Ponca City School District No. I-71, Kay County, Oklahoma (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated February 27, 2017. The report on these financial statements 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 the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Wilson, Dotson & Associates*

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma  
February 27, 2017

# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education  
Ponca City School District Number I-71  
Kay County, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited the Ponca City School District No. I-71, Ponca City, Kay County, Oklahoma's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 for 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.

*Wilson, Dotson & Associates*

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma  
February 27, 2017

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

Type of auditors’ report issued: Adverse

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? None reported
- Noncompliance material to the financial statements noted? No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.010	Title I, Title I School Improvement, and Title I Neglected
84.027	IDEA-B Flow Through and IDEA-B Private Schools
84.173	IDEA-B Preschool

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee under OMB Circular A-133, Section 530? No

PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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**Section II – Findings Related to Financial Reporting**

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There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**Section III – Findings Related to Federal Awards Compliance**

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There were no findings or questioned costs, or material weakness or reportable conditions in internal control that are required to be reported.

**PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

There were no prior year findings or questioned costs.

PONCA CITY SCHOOL DISTRICT NO. I-71  
Kay County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
FOR THE YEAR ENDING JUNE 30, 2016

State of Oklahoma        )  
                                      )ss  
County of Pottawatomie )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' 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 Ponca City Public Schools for the audit year 2015-16.

Wilson, Dotson & Associates, P.L.L.C.  
Auditing Firm

*Pamela R. Dotson*

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

Subscribed and sworn to before me this 27<sup>th</sup> day of February, 2017.

*Lisa Cook*

\_\_\_\_\_  
Notary Public (Commission #11002236)  
My commission expires March 10, 2019

