

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

**INDEPENDENT SCHOOL DISTRICT NO. 2 OF  
TULSA COUNTY, OKLAHOMA**

**JUNE 30, 2016**

Audited by

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

**BROKEN ARROW, OK**

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2016

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Greg Morris

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
JUNE 30, 2016

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JUNE 30, 2016

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### INDEPENDENT AUDITOR'S REPORT

October 24, 2016

The Honorable Board of Education  
Sand Springs School District Number I-2  
Sand Springs, Tulsa County, Oklahoma

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

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Sand Springs School District Number I-2, Sand Springs, Tulsa County, Oklahoma (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

As discussed in Note 1, the financial statements are prepared by the District, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determined, are presumed to be material.

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

In our opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

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

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

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

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

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

Broken Arrow, OK



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

October 24, 2016

The Honorable Board of Education  
Sand Springs School District Number I-2  
Sand Springs, Tulsa County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the Sand Springs School District Number I-2, Sand Springs, Tulsa County, Oklahoma (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

Broken Arrow, OK





# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

October 24, 2016

The Honorable Board of Education  
Sand Springs School District Number I-2  
Sand Springs, Tulsa County, Oklahoma

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

We have audited Sand Springs School District Number I-2, Sand Springs, Tulsa County, Oklahoma (District)'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

Broken Arrow, OK

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2016

There were no prior year significant deficiencies or material instances of non-compliance.

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016

**Section 1** – Summary of Auditor’s Results

1. An adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance.
7. Programs determined to be major were the IDEA-B Flowthrough, Private Schools, and Preschool (84.010, 84.173) and the Child Nutrition Programs (10.555, 10.553, 10.559), both which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined not to be a low-risk auditee.

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

None

**Section 3** – Findings and questioned costs for federal awards

None

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2016

	<u>GOVERNMENTAL FUND TYPES</u>					FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>PROPRIETARY FUND</u>	<u>EXPENDABLE TRUSTS AND AGENCY FUNDS</u>	<u>GENERAL LONG-TERM DEBT</u>	
<u>ASSETS</u>								
Cash	\$ 3,823,355	1,076,093	432,363	5,155,332	4,109	485,286		10,976,538
Investments	4,221,199	2,028,812	2,000,000	2,000,000		575,000		10,825,011
Amounts available in debt service							2,432,363	2,432,363
Amount to be provided for retirement of long-term debt							14,832,637	14,832,637
<b>Total Assets</b>	<b><u>\$ 8,044,554</u></b>	<b><u>3,104,905</u></b>	<b><u>2,432,363</u></b>	<b><u>7,155,332</u></b>	<b><u>4,109</u></b>	<b><u>1,060,286</u></b>	<b><u>17,265,000</u></b>	<b><u>39,066,549</u></b>
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities								
Warrants payable	\$ 4,100,491	210,089		23,894		40		4,334,514
Encumbrances	153,781	65,315		2,223,341				2,442,437
Funds held for school organizations						857,981		857,981
Long-term debt:								
Bonds payable							17,265,000	17,265,000
<b>Total liabilities</b>	<b><u>4,254,272</u></b>	<b><u>275,404</u></b>	<b><u>0</u></b>	<b><u>2,247,235</u></b>	<b><u>0</u></b>	<b><u>858,021</u></b>	<b><u>17,265,000</u></b>	<b><u>24,899,932</u></b>
Fund Balance								
Restricted		2,829,501	2,432,363	4,908,097	4,109	202,265		10,376,335
Unrestricted	3,790,282							3,790,282
<b>Total fund balance</b>	<b><u>3,790,282</u></b>	<b><u>2,829,501</u></b>	<b><u>2,432,363</u></b>	<b><u>4,908,097</u></b>	<b><u>4,109</u></b>	<b><u>202,265</u></b>	<b><u>0</u></b>	<b><u>14,166,617</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 8,044,554</u></b>	<b><u>3,104,905</u></b>	<b><u>2,432,363</u></b>	<b><u>7,155,332</u></b>	<b><u>4,109</u></b>	<b><u>1,060,286</u></b>	<b><u>17,265,000</u></b>	<b><u>39,066,549</u></b>

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

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND	FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		EXPENDABLE TRUST FUNDS	
Revenues Collected:							
Local sources	\$ 6,254,405	1,786,731	4,900,912		8,894	95,888	13,046,830
Intermediate sources	1,306,522						1,306,522
State sources	22,037,082	296,506					22,333,588
Federal sources	2,163,075	1,374,970					3,538,045
Interest earnings	63,975	79,343	5,794		3	416	149,531
Non-revenue receipts	194,262	11,053				2,159	207,474
Total revenues collected	<u>32,019,321</u>	<u>3,548,603</u>	<u>4,906,706</u>	<u>0</u>	<u>8,897</u>	<u>98,463</u>	<u>40,581,990</u>
Expenditures:							
Instruction	20,686,223	115,405		962,507		30,997	21,795,132
Support services	12,325,914	116,909		120,038		52,983	12,615,844
Operation of non-instructional services		2,405,371					2,405,371
Facilities acquisition and construction services		2,979,506		6,536,002			9,515,508
Other outlays:							
Correcting Entry	163,089	395		46,039		7,955	217,478
Fund transfer		1,540					1,540
Debt service			5,006,350				5,006,350
Other uses					11,752		11,752
Total expenditures	<u>33,175,226</u>	<u>5,619,126</u>	<u>5,006,350</u>	<u>7,664,586</u>	<u>11,752</u>	<u>91,935</u>	<u>51,568,975</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(1,155,905)	(2,070,523)	(99,644)	(7,664,586)	(2,855)	6,528	(10,986,985)

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND	FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		EXPENDABLE TRUST FUNDS	
Other financing sources (uses)							
Adjustments to prior year encumbrances	94,813	671		443,249		2,120	540,853
Proceeds from sale of bonds				6,225,000			6,225,000
Total financing sources (uses)	<u>94,813</u>	<u>671</u>	<u>0</u>	<u>6,668,249</u>	<u>0</u>	<u>2,120</u>	<u>6,765,853</u>
Excess of revenues collected and other financing sources over (under) expenditures and other financing (uses)	(1,061,092)	(2,069,852)	(99,644)	(996,337)	(2,855)	8,648	(4,221,132)
Cash fund balances, beginning of year	<u>4,851,374</u>	<u>4,899,353</u>	<u>2,532,007</u>	<u>5,904,434</u>	<u>6,964</u>	<u>193,617</u>	<u>18,387,749</u>
Cash fund balances, end of year	<u><u>\$ 3,790,282</u></u>	<u><u>2,829,501</u></u>	<u><u>2,432,363</u></u>	<u><u>4,908,097</u></u>	<u><u>4,109</u></u>	<u><u>202,265</u></u>	<u><u>14,166,617</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 6,155,000	6,183,000	6,254,405	71,405
Intermediate sources	1,274,000	1,284,000	1,306,522	22,522
State sources	22,591,000	22,300,349	22,037,082	(263,267)
Federal sources	2,205,000	2,530,486	2,163,075	(367,411)
Interest earnings	65,000	65,000	63,975	(1,025)
Non-revenue receipts	10,000	35,791	194,262	158,471
Total revenues collected	32,300,000	32,398,626	32,019,321	(379,305)
Expenditures:				
Instruction	20,640,000	21,111,000	20,686,223	424,777
Support services	12,350,000	12,609,000	12,325,914	283,086
Other outlays:				
Correcting entry	10,000	80,000	163,089	(83,089)
Total expenditures	33,000,000	33,800,000	33,175,226	624,774
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(700,000)	(1,401,374)	(1,155,905)	245,469
Adjustments to prior year encumbrances	0	0	94,813	94,813
Excess of revenues collected over (under) expenditures	(700,000)	(1,401,374)	(1,061,092)	340,282
Cash fund balance, beginning of year	4,700,000	4,851,374	4,851,374	0
Cash fund balance, end of year	\$ 4,000,000	3,450,000	3,790,282	340,282

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



INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues Collected:				
Local sources	\$ 1,623,000	1,644,000	1,786,731	142,731
State sources	367,000	370,883	296,506	(74,377)
Federal sources	1,248,000	1,259,744	1,374,970	115,226
Interest earnings	80,000	80,000	79,343	(657)
Non-revenue receipts			11,053	11,053
Total revenues collected	<u>3,318,000</u>	<u>3,354,627</u>	<u>3,548,603</u>	<u>193,976</u>
Expenditures:				
Instruction	150,000	170,000	115,405	54,595
Support services	1,111,000	1,100,000	116,909	983,091
Operation of non-instructional services	2,615,000	2,810,000	2,405,371	404,629
Facilities acquisition and construction services	2,689,000	3,609,000	2,979,506	629,494
Other outlays:				
Fund transfer	25,000	25,000	1,540	23,460
Correcting Entry			395	(395)
Other uses	10,000	10,000		10,000
Total expenditures	<u>6,600,000</u>	<u>7,724,000</u>	<u>5,619,126</u>	<u>2,104,874</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(3,282,000)	(4,369,373)	(2,070,523)	2,298,850
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>671</u>	<u>671</u>
Excess of revenues collected over (under) expenditures	(3,282,000)	(4,369,373)	(2,069,852)	2,299,521
Cash fund balances, beginning of year	<u>4,600,000</u>	<u>4,899,353</u>	<u>4,899,353</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 1,318,000</u>	<u>529,980</u>	<u>2,829,501</u>	<u>2,299,521</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	DEBT SERVICE FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 4,840,000	4,840,000	4,900,912	60,912
Interest earnings	1,000	1,000	5,794	4,794
Total revenues collected	4,841,000	4,841,000	4,906,706	65,706
Requirements:				
Bonds	5,000,000	5,000,000	4,850,000	150,000
Coupons			156,350	(156,350)
Total expenditures	5,000,000	5,000,000	5,006,350	(6,350)
Excess of revenue collected over (under) expenditures	(159,000)	(159,000)	(99,644)	59,356
Cash fund balance, beginning of year	2,542,975	2,542,975	2,532,007	(10,968)
Cash fund balance, end of year	\$ 2,383,975	2,383,975	2,432,363	48,388

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

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2016

	PROPRIETARY FUND TYPES <hr style="border: 0.5px solid black;"/>
Revenues Collected:	
Local sources	\$ 8,894
Interest earnings	3
Total revenues collected	<hr style="border: 0.5px solid black;"/> 8,897
Expenditures:	
Other uses	<hr style="border: 0.5px solid black;"/> 11,752
Excess of revenues collected over (under) expenditures	(2,855)
Retained earnings, beginning of period	<hr style="border: 0.5px solid black;"/> 6,964
Retained earnings, end of period	<hr style="border: 1px solid black;"/> \$ 4,109

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

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2016

	PROPRIETARY FUND TYPES
Cash flows from operating activities:	
Net operating income (loss)	\$ (2,855)
Net (decrease) in cash and cash equivalents	(2,855)
Cash and cash equivalents, beginning of period	6,964
Cash and cash equivalents, end of period	\$ 4,109

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Sand Springs Public Schools Independent District, No. 2 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

**A. Reporting Entity**

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

The governing body of the District is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

A. Reporting Entity – cont’d

whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

B. Measurement Focus

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

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

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

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**B. Measurement Focus - cont'd**

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

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

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

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

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

Capital Projects Fund – The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

B. Measurement Focus – cont’d

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties or to other departments or agencies primarily within the District.

Internal Service Fund – The Internal Service Fund is used to account for the operations of the workers’ compensation self-insurance fund.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

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

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

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

**Account Groups**

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



INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

B. Measurement Focus – cont’d

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgements and lease purchases) which are to be paid from funds provided in future years.

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

**Memorandum Only - Total Column**

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

C. Basis of Accounting and Presentation – cont'd

- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

D. Budgets and Budgetary Accounting – cont'd

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

E. Assets, Liabilities and Fund Equity

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

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

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

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

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

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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

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

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

F. Revenue and Expenditures

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**F. Revenue and Expenditures – cont’d**

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

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

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

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

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**F. Revenue and Expenditures – cont'd**

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

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

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**F. Revenue and Expenditures – cont’d**

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.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no interfund transfers made during the 2015-16 fiscal year.

**2. CASH AND INVESTMENTS**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District’s cash deposits and investments at June 30, 2016, were \$21,801,549, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District’s name.

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

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

- Direct obligations of the U.S. Government, its agencies and instrument to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.



INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**2. CASH AND INVESTMENTS – cont'd**

- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

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

**3. INTERFUND RECEIVABLES AND PAYABLES**

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

**4. GENERAL LONG-TERM DEBT**

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

General long-term debt consists of building bonds payable, transportation bonds payable, judgements and capital leases. Debt service requirements for bonds and judgments are payable solely from the fund balance and the future revenues of the debt service fund.

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

**4. GENERAL LONG-TERM DEBT – cont'd**

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

	Bonds Payable
Balance, July 1, 2015	\$ 15,890,000
Additions	6,225,000
Retirements	(4,850,000)
Balance, June 30, 2016	\$ 17,265,000

A brief description of the outstanding long-term debt at June 30, 2014, is set forth below:

<u>General Obligation Bonds</u>	<u>Amount Outstanding</u>
General Obligation Combined Purpose Bonds, Series 2016, original issue \$6,225,000, interest rate of 1.00% to 1.20%, due in an initial installment of \$1,550,000, annual installments of \$1,550,000, final payment of \$1,575,000 due 5-01-21	\$ 6,225,000
General Obligation Combined Purpose Bonds, Series 2012, original issue \$4,530,000, interest rate of .6% to 1.05%, due in an initial and annual installments of \$1,130,000, final payment of \$1,140,000 due 6-01-17	1,140,000
General Obligation Building Bonds, Series 2013, original issue \$4,495,000, interest rate of .5% to .85%, due in an initial and annual installments of \$1,120,000 final payment of \$1,125,000 due 6-01-18	2,250,000
General Obligation Combined Purpose Bonds, Series 2014, original issue \$4,395,000, interest rate of 0.95% to 1.15%, due in an initial installment of \$1,095,000, annual installments of \$1,100,000, final payment due 5-01-19	3,300,000

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

**4. GENERAL LONG-TERM DEBT – cont'd**

General Obligation Combined Purpose Bonds, Series 2015,  
 original issue \$4,350,000, interest rate of 1.00% to 1.20%,  
 due in an initial installment of \$1,050,000, annual installments  
 of \$1,100,000, final payment due 5-1-20 4,350,000

Total \$ 17,265,000

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

Year Ending June 30	Principal	Interest	Total
2017	4,415,000	178,370	4,593,370
2018	4,875,000	138,887	5,013,887
2019	3,750,000	92,950	3,842,950
2020	2,650,000	50,700	2,700,700
2021	1,575,000	18,900	1,593,900
Total	<u>\$ 17,265,000</u>	<u>479,807</u>	<u>17,744,807</u>

Interest paid on general long-term debt during the 2015-16 fiscal year totaled \$156,350.

**5. EMPLOYEE RETIREMENT SYSTEM**

Description of Plan

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2014-15 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

Annual Pension Cost

The District's total contributions for 2016, 2015 and 2014 were \$3,243,916, \$2,946,453, and \$3,170,212 respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information.

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Annual Pension Cost – cont'd

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements. The amount of calculated pension liability for the District at June 30, 2014 (the latest information available) was \$23,347,284.

The District vigorously disputes the use of the term “liability” in so far as it suggests the District is legally responsible for payment of the calculated pension liability. The District agrees with the statement by the Oklahoma State Pension Commission in its letter dated September 19, 2011 to the Governmental Accounting Standards Board that “In Oklahoma and perhaps other state jurisdictions, the long-standing case law clearly makes pension obligations the legal obligation of the State. There is no legal or factual way in Oklahoma for a local employer to pay for any portion of the ultimate pension.” The District believes the “calculated pension liability” cited in this paragraph is a number with no relevance or financial significance concerning the financial condition of the District.

**6. RISK MANAGEMENT**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**7. LEASE REVENUE BONDS**

On June 9, 2010, the Tulsa County Industrial Authority issued \$25,030,000 of Educational Facilities Lease Revenue Bonds (Sand Springs Public Schools Project) Series 2010, to provide funds required for the constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites for the benefit of the Sand Springs Public Schools (District). Also on June 1, 2010, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Tulsa County Industrial Authority. In addition, the District entered into a sublease, as lessee, with the Tulsa County Industrial Authority. The sublease calls for fourteen (14) annual payments starting September 1, 2011. These payments will be made out of general obligation bond funds, pursuant to the issuance of series bonds in the amount of \$31,870,700. The Sand Springs Public Schools gains ownership to the capital improvements incrementally as each payment is made. As of May 8, 2013 all projects had been completed and funds expended. There are ten (10) remaining lease payments of \$2,301,500 each, due yearly on September 1, 2016 through 2024, for a total of \$23,015,000.

**8. CONTINGENCIES**

Federal Grants

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

Schedule of Expenditure of Federal Awards

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

INDEPENDENT SCHOOL DISTRICT NO. 2, TULSA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

**8. CONTINGENCIES – cont'd**

Litigation

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

Early Childhood Center

Sand Springs Public Schools (SSPS) and Tulsa Children's Coalition (TCC) contracted in May, 2008 to jointly develop a new Early Childhood Education Center in Sand Springs to house the early childhood education programs of SSPS and the Community Action Project of Tulsa County (CAPTC). The original development was completed in July, 2009 consisting of 20 classrooms, administrative and support spaces at a cost of \$10,703,988. SSPS has paid \$3,500,000 to TCC from the proceeds of the sale of its old early childhood education building to the City of Sand Springs and it entered into a final lease-purchase contract with TCC for \$1,203,988 requiring monthly payments of \$7,205.80 for 15 years from October, 2009, annual payments of one percent of the remaining balance, and payments of \$10 per month thereafter through June, 2049. SSPS is the owner of the 20.8 acre site and owner of the original eight classrooms and attendant playground and parking areas constructed for its use. SSPS has leased the tract of land containing the 12 classrooms originally constructed for use by CAPTC, the jointly shared administrative and support spaces, and attendant playground and parking areas to TCC for 40 years; through the lease-purchase contract SSPS has joint use of the shared administrative and support spaces on this tract.

Subsequent Events

Management has evaluated subsequent events through October 24, 2016, which is the date the financial statements were available to be issued, and have determined that no additional information needs to be added to the financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 JUNE 30, 2016

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
Cash	\$ 490,432	38,274	547,387	1,076,093
Investments	1,528,812		500,000	2,028,812
Total Assets	<u>\$ 2,019,244</u>	<u>38,274</u>	<u>1,047,387</u>	<u>3,104,905</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Warrants payable	\$	18,736	191,353	210,089
Encumbrances	65,315			65,315
Total liabilities	<u>65,315</u>	<u>18,736</u>	<u>191,353</u>	<u>275,404</u>
Fund Balance				
Restricted	1,953,929	19,538	856,034	2,829,501
Total Liabilities and Fund Equity	<u>\$ 2,019,244</u>	<u>38,274</u>	<u>1,047,387</u>	<u>3,104,905</u>



INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 JUNE 30, 2016

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:				
Local sources	\$ 934,956		851,775	1,786,731
State sources		102,720	193,786	296,506
Federal sources		4,850	1,370,120	1,374,970
Interest earnings	79,343			79,343
Non-revenue receipts			11,053	11,053
Total revenues collected	<u>1,014,299</u>	<u>107,570</u>	<u>2,426,734</u>	<u>3,548,603</u>
Expenditures:				
Instruction		115,405		115,405
Support services	116,546		363	116,909
Operation of non-instructional services			2,405,371	2,405,371
Facilities acquisition and construction services	2,839,506		140,000	2,979,506
Other outlays:				
Fund transfer			1,540	1,540
Correcting Entry			395	395
Total expenditures	<u>2,956,052</u>	<u>115,405</u>	<u>2,547,669</u>	<u>5,619,126</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,941,753)	(7,835)	(120,935)	(2,070,523)
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>671</u>	<u>671</u>
Excess of revenues collected over (under) expenditures	(1,941,753)	(7,835)	(120,264)	(2,069,852)
Cash fund balances, beginning of year	<u>3,895,682</u>	<u>27,373</u>	<u>976,298</u>	<u>4,899,353</u>
Cash fund balances, end of year	<u>\$ 1,953,929</u>	<u>19,538</u>	<u>856,034</u>	<u>2,829,501</u>

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	BUILDING FUND			CHILD NUTRITION FUND			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:									
Local sources	\$ 764,000	764,000	934,956	\$ 859,000	880,000	851,775			
State sources				247,000	252,000	193,786	120,000	118,883	102,720
Federal sources				1,225,000	1,235,000	1,370,120	23,000	24,744	4,850
Interest earnings	80,000	80,000	79,343						
Non-revenue receipts						11,053			
Total revenues collected	<u>844,000</u>	<u>844,000</u>	<u>1,014,299</u>	<u>2,331,000</u>	<u>2,367,000</u>	<u>2,426,734</u>	<u>143,000</u>	<u>143,627</u>	<u>107,570</u>
Expenditures:									
Instruction							150,000	170,000	115,405
Support services	1,111,000	1,100,000	116,546			363			
Operation of non-instructional services				2,615,000	2,810,000	2,405,371			
Facilities acquisition & construction services	2,689,000	3,609,000	2,839,506			140,000			
Other outlays:									
Fund transfer						1,540			
Correcting entry				25,000	25,000	395			
Other uses				10,000	10,000				
Total expenditures	<u>3,800,000</u>	<u>4,709,000</u>	<u>2,956,052</u>	<u>2,650,000</u>	<u>2,845,000</u>	<u>2,547,669</u>	<u>150,000</u>	<u>170,000</u>	<u>115,405</u>
Excess of revenues collected over(under) expenditures before adjustments to prior year encumbrances	(2,956,000)	(3,865,000)	(1,941,753)	(319,000)	(478,000)	(120,935)	(7,000)	(26,373)	(7,835)
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>671</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues collected over (under) expenditures	(2,956,000)	(3,865,000)	(1,941,753)	(319,000)	(478,000)	(120,264)	(7,000)	(26,373)	(7,835)
Cash fund balances, beginning of year	<u>3,800,000</u>	<u>3,895,682</u>	<u>3,895,682</u>	<u>780,000</u>	<u>976,298</u>	<u>976,298</u>	<u>20,000</u>	<u>27,373</u>	<u>27,373</u>
Cash fund balances, end of year	<u>\$ 844,000</u>	<u>30,682</u>	<u>1,953,929</u>	<u>\$ 461,000</u>	<u>498,298</u>	<u>856,034</u>	<u>\$ 13,000</u>	<u>1,000</u>	<u>19,538</u>

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS  
 JUNE 30, 2016

	<u>2016</u> SERIES 1 BOND FUND	<u>2015</u> SERIES 3 BOND FUND	<u>2014</u> SERIES 2 BOND FUND	<u>2013</u> SERIES 1 BOND FUND	<u>TOTAL</u>
<u>ASSETS</u>					
Cash	\$ 5,594,383	(702,067)	251,910	11,106	5,155,332
Investments	<u>2,000,000</u>	<u>2,000,000</u>	<u>251,910</u>	<u>11,106</u>	<u>2,000,000</u>
Total Assets	<u>\$ 5,594,383</u>	<u>1,297,933</u>	<u>251,910</u>	<u>11,106</u>	<u>7,155,332</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Warrants Payable		23,894			23,894
Encumbrances	1,610,062	490,916	111,257	11,106	2,223,341
Total liabilities	<u>1,610,062</u>	<u>514,810</u>	<u>111,257</u>	<u>11,106</u>	<u>2,247,235</u>
Fund Balances:					
Restricted	<u>3,984,321</u>	<u>783,123</u>	<u>140,653</u>	<u>0</u>	<u>4,908,097</u>
Total Liabilities and Fund Balance	<u>\$ 5,594,383</u>	<u>1,297,933</u>	<u>251,910</u>	<u>11,106</u>	<u>7,155,332</u>

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES, AND CHANGES  
 IN CASH FUND BALANCES - ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS  
 JUNE 30, 2016

	2015 SERIES BOND FUND	2015 SERIES 3 BOND FUND	2014 SERIES 2 BOND FUND	2013 SERIES 1 BOND FUND	2012 SERIES BOND FUND	TOTAL
Revenues collected:						
Local sources	\$ 0	0	0	0	0	0
Expenditures:						
Instruction	203,796	698,348	28,307	32,056		962,507
Support services	44,388	33,190	42,460			120,038
Facilities acquisition and construction services	1,992,495	2,623,942	797,936	515,455	606,174	6,536,002
Correcting entry		46,039				46,039
Total expenditures	<u>2,240,679</u>	<u>3,401,519</u>	<u>868,703</u>	<u>547,511</u>	<u>606,174</u>	<u>7,664,586</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(2,240,679)	(3,401,519)	(868,703)	(547,511)	(606,174)	(7,664,586)
Other financing sources (uses)						
Bond proceeds	6,225,000					6,225,000
Adjustments to prior year encumbrances		48,897	41,538	10,316	342,498	443,249
Total other financing sources (uses)	<u>6,225,000</u>	<u>48,897</u>	<u>41,538</u>	<u>10,316</u>	<u>342,498</u>	<u>6,668,249</u>
Excess of revenues collected over (under) expenditures after other financing sources (uses)	3,984,321	(3,352,622)	(827,165)	(537,195)	(263,676)	(996,337)
Cash fund balances, beginning of year	<u>0</u>	<u>4,135,745</u>	<u>967,818</u>	<u>537,195</u>	<u>263,676</u>	<u>5,904,434</u>
Cash fund balances, end of year	<u>\$ 3,984,321</u>	<u>783,123</u>	<u>140,653</u>	<u>0</u>	<u>0</u>	<u>4,908,097</u>

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2016

	EXPENDABLE TRUST FUND		SCHOOL ACTIVITY FUNDS		TOTAL
<u>ASSETS</u>	GIFTS AND ENDOWMENTS FUND				
Cash	\$ 136,079		349,207		485,286
Investments	75,000		500,000		575,000
Total Assets	\$ 211,079		849,207		1,060,286
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Warrants payable	\$ 40				40
Funds held for school organizations	8,774		849,207		857,981
	8,814		849,207		858,021
Fund Balances					
Restricted	202,265				202,265
Total Liabilities and Fund Equity	\$ 211,079		849,207		1,060,286

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE 07/01/14	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 06/30/15
<u>ASSETS</u>					
Cash	\$ 335,776	1,693,633		1,680,202	349,207
Investments	500,000				500,000
Total	<u>\$ 835,776</u>	<u>1,693,633</u>	<u>0</u>	<u>1,680,202</u>	<u>849,207</u>
<u>LIABILITIES</u>					
Early childhood	\$ 28,912	10,391		13,319	25,984
Angus valley	33,520	68,395		60,223	41,692
Northwoods	19,902	28,938		22,273	26,567
Garfield	17,721	54,925		56,945	15,701
Limestone	27,339	49,263		44,097	32,505
Pratt	26,151	70,481		83,109	13,523
All district choir	1,094	811		624	1,281
Project summer spirit	5,436	11,581		10,793	6,224
CPHS general fund	10,608	32,309		29,387	13,530
Refund account	-	9,226		9,206	20
CBJH general fund	40,895	18,518	(142)	27,174	32,097
CNGC general fund	6,853	14,791		14,738	6,906
Agriculture	6,794	96,157		98,767	4,184
Anchor club	121	0	142	263	-
Boyd art	1,275	2,134		2,048	1,361
CPHS athletics	68,743	201,787		218,576	51,954
Sandite Quarterback Club	14,272	35,322		32,442	17,152
Tennis	8,392	4,871		4,457	8,806
Softball	27,090	17,817		17,456	27,451
CPHS visual arts	1,538	1,740		2,787	491
CPHS FCA	371	-		-	371
Central Art	372	1,261		1,451	182
Central FCA	138	-		-	138
BIT	2,307	5,781		6,335	1,753
9th grade BPA	2,315	4,186		5,347	1,154
CPHS cheer	6,281	47,252		38,692	14,841
9th grade cheer	2,960	14,710		8,966	8,704
Page academy	3,237	9,153		9,430	2,960
Sixth grade art	7,676	1,350		840	8,186
CBMS 7th grade science club	1,452	10,024		10,007	1,469
Boyd computers	88	0		0	88
CMBS Environmental Sci.	3,009	364		448	2,925
Student Educational	1,725	3,830		3,455	2,100
Sertoma Serteen Club	379	263		300	342

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

CBMS Social Committee	\$ 250	0	172	78
CPHS dance	27,966	85,140	89,016	24,090
Debate	6,456	2,085	6,254	2,287
CPHS interact club	34	0	34	0
CPHS drama	5,979	14,735	17,607	3,107
Boyd drama	2,845	1,340	250	3,935
CPHS science	5,369	3,331	3,634	5,066
CPHS english	36	0	36	0
Boyd english	3,223	8,476	8,771	2,928
FFA boosters	3,131	5,304	6,356	2,079
French club	1,236	0	500	736
CPHS facs	558	1,280	731	1,107
Boyd home economics	165	0	0	165
Central FCCLA	1,488	3,327	3,517	1,298
Indian education	4,615	2,204	1,431	5,388
Band activity	10,273	18,623	19,432	9,464
SS Band Boodsters	2,827	34,519	33,882	3,464
Boyd instrumental	8,676	18,483	14,964	12,195
Boyd journalism	4,038	8,048	8,889	3,197
Central journalism	1,418	5,668	4,234	2,852
CBMS FCA	4,197	2,624	3,003	3,818
CCHS library	940	263	282	921
Boyd library	804	951	781	974
Central library	1,296	33	99	1,230
CJH staff social committee	408	0	224	184
Sandites TV	1,573	377	990	960
CPHS NHS	4,840	8,985	9,043	4,782
SS Baseball boosters	22,018	52,289	55,036	19,271
Sandite basketball assoc.	6,666	36,286	35,481	7,471
Sandite soccer boosters	3,090	6,306	5,742	3,654
8th grade dance	0	24	0	24
9th grade dance	13,726	55,658	57,942	11,442
Sandite Spirit Store	2,312	2,459	1,456	3,315
CPHS academic team	335	101	271	165
Sandtonian	14,002	10,139	20,559	3,582
Boyd think tank	49	0	-	49
Boyd science	5,637	14,819	14,220	6,236
Central science	1,480	3,693	2,796	2,377
Spanish	230	0	0	230
Boyd spanish	579	0	0	579
Curriculum and instruction	6,439	7,758	5,512	8,685
Special olympics	4,875	4,616	7,787	1,704
CPHS student council	3,250	16,041	13,280	6,011
Boyd student council	3,361	3,742	3,738	3,365
Central student council	80	3,316	3,089	307
CTE general	695	0	270	425
CPHS vocal	1,604	16,738	13,780	4,562

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

Boyd vocal	\$ 1,621	4,628	5,750	499
Boyd special ed.	0	1,585	1,395	190
CPHS Prom	15,180	16,751	15,197	16,734
Band trips	6,898	24,140	27,972	3,066
Boyd tech ed	439	5,842	5,217	1,064
CPHS Scholarship	5,059	950	200	5,809
Track	0	4,821	3,808	1,013
Youth in government	566	5,443	5,386	623
Special ed voc	6,193	6,742	8,011	4,924
Cross-country	5,272	8,956	8,815	5,413
CPHS wrestling	2,966	18,274	13,613	7,627
CPHS golf	4,982	1,903	0	6,885
JH Wrestling	170	4,214	4,020	364
Volleyball boosters	9,483	32,023	24,660	16,846
CPHS Football	3,603	20,376	18,080	5,899
Kevin Schawo Scholarship	1,178	0	0	1,178
CFAA Stargazers	116	2,265	0	2,381
Bus barn	1,120	1,353	807	1,666
Senior celebration	1,721	48,363	48,025	2,059
Vending Machines	8,417	14,969	7,935	15,451
Child nutrition	80,201	5,652	6,427	79,426
CPHS PTO	495	600	941	154
CNGC PTO	19	0	0	19
CBMS PTO	894	20	585	329
Angus PTO	9,682	10,412	10,558	9,536
NFWA PTO	6,699	10,577	8,425	8,851
Limestone PTO	20,391	23,036	25,149	18,278
Pratt PTO	12,926	40,959	28,558	25,327
SSEF Grants	3,300	65,506	63,024	5,782
Superintendent	52,150	25,861	28,598	49,413
	<u>\$ 835,776</u>	<u>1,693,633</u>	<u>0</u>	<u>1,680,202</u>
				<u>849,207</u>



INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's No.	Program or Award Amount	Balance at 7/1/15	Revenue Collected	Total Expenditures	Balance at 6/30/16
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII - Indian Education	84.060	S060A150372	\$ 136,956		56,207	136,956	80,749
Sub Total			<u>136,956</u>	-	<u>56,207</u>	<u>136,956</u>	<u>80,749</u>
<u>Passed Through State Department of Education:</u>							
Title I, Basic	84.010	S010A150036	694,473		403,221	592,389	189,168
Title I Basic - Note	84.010			140,056	140,056		
Title I, Part A School Support	84.010	S010A150036	24,569		24,567	24,567	0
Title I, Neglected Part A	84.010	S010A150036	51,228		39,736	44,601	4,865
Title I, Neglected Part A - Note	84.010			5,506	5,506		
Title III Part A (co-op)	84.365	S365A150036	24,744		1,431	5,935	4,504
Title III Part A (co-op) - Note	84.365			3,418	3,418		
*IDEA-B Flowthrough	84.027	H027A150051	986,391		665,841	958,324	292,483
IDEA-B Flowthrough - Note	84.027			476,856	476,856		
*IDEA-B Flowthrough Private School	84.027	H027A150051	10,478		0	10,276	10,276
IDEA-B Flowthrough Private School - Note	84.027			750	750		
*IDEA-B Preschool	84.173	H173A150084	19,075		11,985	17,380	5,395
IDEA-B Preschool - Note	84.173			8,169	8,169		
21 Century	84.287	S287C140036	300,000		95,629	256,410	160,781
Title II, Part A	84.367	S367A150035	210,577		119,331	142,739	23,408
Title II, Part A - Note	84.367			16,244	16,244		
Sub Total			<u>2,321,535</u>	<u>650,999</u>	<u>2,012,740</u>	<u>2,052,621</u>	<u>690,880</u>
<u>Passed Through State Department of Vocational Technical Education:</u>							
Carl Perkins	84.048		43,029		39,899	42,998	3,099
Carl Perkins - Note	84.048			4,978	4,978		
Carl Perkins Supplemental	84.048		13,294		8,294	13,294	5,000
Sub Total			<u>56,323</u>	<u>4,978</u>	<u>53,171</u>	<u>56,292</u>	<u>8,099</u>
<u>U.S. Department of Agriculture</u>							
<u>Passed Through State Department of Education:</u>							
<u>*Child Nutrition Programs:</u>							
School breakfast program	10.553				283,370	283,370	
National school lunch program	10.555				1,086,450	1,086,450	
Summer food program	10.559					4,137	
Equipment grant	10.579				300		
Sub Total				<u>0</u>	<u>1,370,120</u>	<u>1,373,957</u>	<u>0</u>
<u>Passed Through Department of Human Services:</u>							
*Non-cash assistance - commodities Note 3	10.555				109,329	109,329	
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		39,120		17,787	30,411	12,624
Johnson O'Malley C/O	15.130		8,474		8,474	8,474	
Johnson O'Malley - Note	15.130			11,680	11,680		
Medicaid resources	93.774		7,866		7,866	7,866	
Sub Total			<u>55,460</u>	<u>11,680</u>	<u>45,807</u>	<u>46,751</u>	<u>12,624</u>
Total Federal Assistance			<u>\$ 2,570,274</u>	<u>667,657</u>	<u>3,647,374</u>	<u>3,775,906</u>	<u>792,352</u>

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

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

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

Note 3 - Non-Monetary Assistance - Commodities received by the District in the amount of \$109,329 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

\* Major programs

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2016

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Keystone Insurance Agency	Treasurer	5065749	\$ 300,000	11/7/15 - 11/7/16
	Director of Info. Technology	2013732	51,000	11/7/15 - 11/7/16
	Minutes Clerk	2013732	100,000	11/7/15 - 11/7/16
	Encumbrance Clerk	2013732	51,000	11/7/15 - 11/7/16
	Payroll Supervisor	2013732	51,000	11/7/15 - 11/7/16
	Superintendent	2013732	100,000	11/7/15 - 11/7/16
	Lunch and Activity Fund	2013732	5,000	11/7/15 - 11/7/16
	Deputy Minutes Clerk	2013732	5,000	11/7/15 - 11/7/16
	Child Nutrition Clerk	2013732	10,000	11/7/15 - 11/7/16
	Assistant Treasurer	5068407	100,000	11/7/15 - 11/7/16
	Benefits Specialist	2013732	51,000	11/7/15 - 11/7/16
	HR/General Records Clerk	2013732	51,000	11/7/15 - 11/7/16
	Purchasing Agent	2013732	51,000	11/7/15 - 11/7/16

INDEPENDENT SCHOOL DISTRICT NO. 2 OF TULSA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2015 TO JUNE 30, 2016

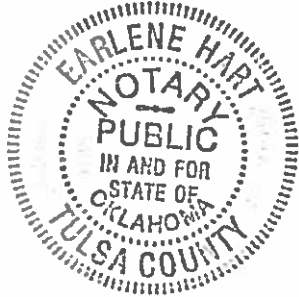
State of Oklahoma            )  
  ) ss  
County of Tulsa             )

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

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

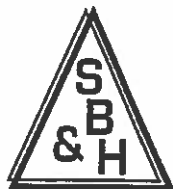
By Jeffrey D. Howard  
Authorized Agent

Subscribed and sworn to before me  
This 24<sup>th</sup> day of October, 2016



Earlene Hart  
Notary Public (or Clerk or Judge)

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



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

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

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

October 24, 2016

Ms. Sherry Durkee, Supt.  
Sand Springs Public Schools  
11 West Broadway  
Sand Springs, Oklahoma 74063

Dear Ms. Durkee,

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

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

Purchasing Cards


We observed during the audit of the purchasing cards (p-card), that other than the initial approval of the blanket purchase orders for each individual who has been approved and issued a card, there is very little approval of the subsequent individual purchases on the card, nor is there good process in place to track the available balance on the purchase order. We recommend that the District implement procedures so that p-card expenditures over a certain dollar amount, to be determined by the board, will need approval prior to the purchase. There also should be a procedure that would check the available balance on the purchase order prior to the purchase being made. We would also recommend that the district review the current number of cards that are approved and issued and consider limiting the number of cards issued to only key personnel.

Treasurer Reconciliations

We observed during our year-end financial work for the preparation of the Estimate of Needs, that the bank balances were not properly reconciled to the financials at June 30, 2016. This was mainly due to a change in accounting software to an internet platform, turnover in the CFO position, and some overpayments to the Oklahoma Tax Commission. The reconciliation at June 30, 2016, was subsequently corrected in a timely manner. We recommend that the reconciled bank statement be reconciled to the general ledger each month and at the end of each fiscal year to ensure that the Districts financials are properly reported.

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

Sincerely,

A handwritten signature in black ink that reads "Jeffrey D. Hewett". The signature is written in a cursive style with a large initial "J" and a distinct "Hewett" at the end.

Jeff Hewett

for

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP