AUDITED FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR

SCHULTER SCHOOL DISTRICT NO. I-6,
OKMULGEE COUNTY, OKLAHOMA

JUNE 30, 2016

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT SCHOOL DISTRICT NO. I-6
OKMULGEE COUNTY, OKLAHOMA
JUNE 30, 2016

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INDEPENDENT SCHOOL DISTRICT NO. I-6
OKMULGEE COUNTY, OKLAHOMA
JUNE 30, 2016

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INDEPENDENT SCHOOL DISTRICT NO. I-6
OKMULGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2016

BOARD OF EDUCATION

President	Mike Mahan
Vice-President	Joe Stephens
Clerk	Stan Hawkins
Member	Gary Terrill
Member	John Rivera

SUPERINTENDENT OF SCHOOLS

Allen Callahan

MINUTES CLERK

Renee Callahan

SCHOOL DISTRICT TREASURER

Bonita Frederick

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Schulter School District No. I-006
Schulter, Oklahoma 74460-0203

Report on the Financial Statements
We have audited the accompanying basic financial statements-regulatory basis of the governmental activities, each major fund and the aggregate remaining fund information of Schulter School District No. I-006, Schulter, Oklahoma (the "District") as of and for the year ended June 30, 2016, which collectively comprise the District 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified 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 Schulter School District No. I-006, 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 reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because the significance of the matter discussed in the previous paragraph, the basic 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 governmental activities, each major fund, and the aggregate remaining

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fund information of the Schulter School District No. I-006, Okmulgee County, Oklahoma 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 assets 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 preceding paragraph, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-regulatory basis of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position-regulatory basis for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements, regulatory basis, listed in the accompanying table of contents are presented for purpose 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2016, on our consideration of the District's internal control over financial reporting and 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

October 25, 2016

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	TOTALS (MEMO. ONLY)
Cash	$ 510,337	86,695	12,734	81,032		690,798
Amounts available in debt service					3,984	3,984
Amounts to be provided for retirement of general long-term debt					156,016	156,016
Total assets	510,337	86,695	12,734	81,032	160,000	850,798
LIABILITIES AND FUND BALANCES						
Liabilities						
Warrants payable	173,857					173,857
Encumbrances	196					196
Funds held for school organizations				81,032		81,032
Unmatured obligations			8,750			8,750
Long-term debt:						
Bonds payable					160,000	160,000
Total liabilities	174,053	-	8,750	81,032	160,000	423,835
Fund balances						
Restricted for:						
Debt service			3,984			3,984
Building		86,695				86,695
Unassigned	336,284					336,284
Total fund balances	336,284	86,695	3,984			426,963
Total liabilities and fund balances	$ 510,337	86,695	12,734	81,032	160,000	850,798

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

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTALS (MEMO. ONLY)
Revenues				
Local sources	$ 149,928	19,103	79,671	248,702
Intermediate sources	15,392			15,392
State sources	761,355	21	86	761,462
Federal sources	281,976			281,976
Non-revenue receipts	318			318
Total revenues	1,208,969	19,124	79,757	1,307,850
Expenditures				
Instruction	788,530			788,530
Support services	452,614	26,480		479,094
Operation of non-instructional services	113,973			113,973
Other outlays	318			318
Debt service			78,917	78,917
Total expenditures	1,355,435	26,480	78,917	1,460,832
Revenues over (under) expenditures	(146,466)	(7,356)	840	(152,982)
Other financing sources (uses)				
Lapsed appropriations	2			2
Revenue and other sources over (under) expenditures and other uses	(146,464)	(7,356)	840	(152,980)
Cash fund balance, beginning of year	482,748	94,051	3,144	579,943
Cash fund balance, end of year	$ 336,284	86,695	3,984	426,963

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

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2016

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 134,461	134,461	149,928
Intermediate sources	13,910	13,910	15,392
State sources	794,559	794,559	761,355
Federal sources	232,350	232,350	281,976
Non-revenue receipts			318
Total revenues	1,175,280	1,175,280	1,208,969
Expenditures			
Instruction	1,089,939	1,089,939	788,530
Support services	453,798	453,798	452,614
Operation of non-instructional services	113,973	113,973	113,973
Other outlays	318	318	318
Total expenditures	1,658,028	1,658,028	1,355,435
Revenues over (under) expenditures	(482,748)	(482,748)	(146,466)
Other financing sources (uses)			
Lapsed appropriations			2
Revenue and other sources over (under) expenditures and other uses			(146,464)
Cash fund balance, beginning of year	482,748	482,748	482,748
Cash fund balance, end of year	$ -	-	336,284

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

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2016

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 17,504	17,504	19,103
State sources			21
Total revenues	17,504	17,504	19,124
Expenditures			
Support services	111,555	111,555	26,480
Revenues over (under) expenditures	(94,051)	(94,051)	(7,356)
Cash fund balance, beginning of year	94,051	94,051	94,051
Cash fund balance, end of year	$ -	-	86,695

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

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2016

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 75,773	75,773	79,671
State sources			86
Total revenues	75,773	75,773	79,757
Expenditures			
Other outlays			
Debt service	78,917	78,917	78,917
Revenues over (under) expenditures	(3,144)	(3,144)	840
Cash fund balance, beginning of year	3,144	3,144	3,144
Cash fund balance, end of year	$ -	-	3,984

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

NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

1. **Summary of Significant Accounting Policies**

The basic financial statements of the Schulter Public Schools Independent District No. I-6 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

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 elected members. The appointed superintendent is the executive officer of the District.

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

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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 the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2015-16 fiscal year.

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 did not maintain this fund during the 2015-16 fiscal year.

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 Funds - 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. The District did not maintain this fund during the 2015-16 fiscal year.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

Fiduciary Fund Types

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

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2015-16 fiscal year.

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

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

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

Account Group

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

1. **Summary of Significant Accounting Policies**- contd.

B. *Fund Accounting* - contd.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments 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, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

1. **Summary of Significant Accounting Policies**- contd.

C. Basis of Accounting and Presentation – contd.

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires 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 and liabilities are incurred for proprietary fund types and trust funds.

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.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies;

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Equity – contd.

and warrants, bonds or judgments of the district. 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-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

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.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular 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. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Equity- contd.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

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 roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owned. 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 interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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

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

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures- contd.

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

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

The aforementioned state revenues are apportioned to the District's general fund.

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

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

All of the federal revenues received by the District are apportioned to the General fund.

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 co-curricular 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

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures - contd.

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 improvement to sites.

Other Outlays/Uses 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) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no inter-fund transfers made during the 2015-16 fiscal year.

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2016, the District held deposits of approximately $690,798 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
e. 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.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There are no investments held at June 30, 2016.

3. General Long-term Debt

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

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

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

	Bonds Payable
Balance, July 1, 2015	$ 230,000
Additions	-
Retirements	70,000
Balance, June 30, 2016	$ 160,000

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

	Amount outstanding
General Obligation Bonds	
Building Bonds, Series 2014, original issue $125,000, interest rate of 2.00-2.25%, due in annual installments of $30,000 beginning 7-01-16, final payment of $35,000 due on 7-01-19;	$ 95,000
Building Bonds, Series 2013, original issue $60,000, interest rate of 2.00%, due in annual installments of $10,000 beginning 7-01-15, final payment of $10,000 due on 7-01-20;	40,000
Building Bonds, Series 2012, original issue $70,000, interest rate of 2.20%, due in annual installments of $15,000 beginning 7-01-14, final payment of $25,000 due on 7-01-17;	25,000
Totals	$ 160,000

3. **General Long-term Debt** – contd.

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

Year ending June 30	Principal	Interest	Total
2017	$ -	-	-
2018	65,000	2,950	67,950
2019	40,000	1,800	41,800
2020	45,000	1,000	46,000
2021	10,000	100	10,100
Totals	$ 160,000	5,850	165,850

There was $7,668 interest paid on general long-term debt incurred during the current year.

4. **Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, 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 Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

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

4. **Employee Retirement System –** contd.

valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employees 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 liability amount is not required to be presented on the financial statements. The amount of calculated net pension liability for the District at June 30, 2015 (latest information available) was $1,300,561.

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. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2016, 2015 and 2014 were $92,315, $89,710 and $88,099 respectively.

4. **Employee Retirement System –** contd.

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

5. Contingencies

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

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; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, 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.

OTHER SUPPLEMENTARY INFORMATION – REGULATORY BASIS - COMBINING FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Net Transfers	Deletions	Balance June 30, 2016
Assets					
Cash	$ 76,558	57,360	-	52,886	81,032
Liabilities					
Funds held for student organizations					
Petty Cash	$ -	200		200	-
Interest	22	139		43	118
Library	281	2,788		2,706	363
Miscellaneous	4,611	1,567		2,022	4,156
Principal Account	3	1,860		1,587	276
Danita Teale Scholarship	250			-	250
Booster Club	384			-	384
Parent/Teacher Organization	45			-	45
Athletics	42,075	26,922		19,305	49,692
HS Cheerleaders	1,490			487	1,003
Student Council	63			-	63
Annual	792	2,301	200	2,901	192
National Honor Society	27			-	27
Academic Team	16			-	16
Flower Fund	1,398	340		40	1,698
Music	314			-	314
Class of 20	888	420		214	1,094
Class of 21	2,357	519		15	2,861
Class of 22	1,075	137		48	1,164
Class of 24	231	260		260	231
Class of 25	1,197	596		256	1,537
Class of 26	338	145		79	404
Class of 27	113	250		290	73
Class of 28	31	351		382	-
Class of 29	-	402		264	138
Class of 16	971	15,285	(200)	15,928	328
Class of 17	2,197	1,117		2,651	663
Class of 18	1,450	341		32	1,759
Class of 19	841	213		31	1,023
Elementary K-6	12,850	1,018		3,097	10,771
Class of 23	248	189		48	389
Total Liabilities	$ 76,558	57,360	-	52,886	81,032

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/01/2015	Revenue Collected	Total Expenditures	Ending Balance 6/30/2016
U.S. Department of Education							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	561	$ 5,737		5,737	5,737	
Title VI-Small, Rural School Ach. Program	84.358A	588	17,143		17,143	17,143	
Subtotal - Direct Programs			22,880	-	22,880	22,880	-
Passed Through State Department of Education:							
Title I-Part A, Improving Basic Programs	84.010	511	75,891		73,953	73,953	
Title I-Part A, Improving Basic Programs 2014-15 - Note 1	84.010	799		(27,256)	27,256		
Title I-School Support	84.010	515	24,569		22,071	22,071	
Special Education, Flowthrough, P.L. 105-17	84.027	621	35,576		35,576	35,576	
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173	641	761		761	761	
Subtotal - Passed Through State Dept. of Education			136,797	(27,256)	159,617	132,361	-
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555	n/a			4,419	4,419	
Non-Cash Assistance Subtotal					4,419	4,419	
Cash Assistance:							
National School Lunch Program	10.555	763			60,478	60,478	
School Breakfast Program	10.553	764			38,479	38,479	
Cash Assistance Subtotal				-	98,957	98,957	-
Subtotal - Child Nutrition Program (Cluster)				-	103,376	103,376	-
Other Federal Assistance:							
OJT 2015-16 - Note 1	84.126	799		(522)	522		
Subtotal - Other Federal Assistance			-	(522)	522	-	-
Total Federal Assistance			$ 159,677	(27,778)	286,395	258,617	-

Note 1 - Project number 799 refers to revenues received from prior-year programs.

Note 2 - Commodities received by the District in the amount of $4,419 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2016

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Western Surety Company	Superintendent	70779663	$100,000	8/19/15-8/19/16
	Treasurer	71314121	$100,000	8/20/15-8/20/16
	Encumbrance Clerk	70367435	$28,000	8/24/15-8/24/16
	Minutes Clerk	70367435	$28,000	8/24/15-8/24/16
	Activity Fund Custodian	70779663	$40,000	8/19/15-8/19/16

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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

The Honorable Board of Education
Schulter School District No. I-006
Schulter, Oklahoma 74460-0203

We have audited, in accordance with the 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information-regulatory basis, of Schulter School District No. I-006, Schulter, Oklahoma, 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 25, 2016. This report 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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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.

116 WEST BRECKENRIDGE AVE, BIXBY, OK 74008
PHONE: 918.366.4440 FAX: 918.366.4443
WWW.JENKINSKEMPER.COM

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

October 25, 2016

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2015 TO JUNE 30, 2016

Findings – Financial Statement Audit

None

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2015 TO JUNE 30, 2016

There were no material prior year audit findings.

INDEPENDENT SCHOOL DISTRICT NO. I-6, OKMULGEE COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 TO JUNE 30, 2016

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Schulter School District for the audit year 2015-16.

Jenkins & Kemper CPAs, P.C.
AUDITING FIRM

BY _____
AUTHORIZED AGENT

Subscribed and sworn to before me on this
28 day of, October, 2016

_____
NOTARY PUBLIC

NOTARY SEAL PUBLIC
CHELESEA CHADWICK
Notary Public in and for the
State of Oklahoma
Commission #15006700
My Commission expires 7/20/2019

Print Form

Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name Schulter Public Schools District Number I-6

County Name Okmulgee County Code 56

Audit Year: 2015-16

The annual independent audit for the Schulter Public Schools
(District Name)

was presented to the Board of Education in an Open Board Meeting on November 7, 2016
(Date of Meeting)

by Jenkins & Kemper, CPAs, P.C.
(Independent Auditor)

(Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Superintendent of Schools

Board of Education President

Board of Education Vice President

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

RENEE CALLAHAN NOTARY PUBLIC # 12009969 EXP. 10/18/2020 IN AND FOR STATE OF OKLAHOMA OKMULGEE COUNTY

Subscribed and sworn before me on 11/7/2016
(Sworn On)

My Commission expires 10/18/2020

(Notary Public)

* * * A copy of the Board Agenda and Board Minutes with the approval of the audit must accompany the audit. * * *