

**AUDIT REPORT**

**SHADY GROVE SCHOOL DISTRICT NO. CO26**

**HULBERT, CHEROKEE COUNTY, OKLAHOMA**

**JULY 1, 2017 THROUGH JUNE 30, 2018**

**AUDITED BY**

**ALAN CHAPMAN**

**CERTIFIED PUBLIC ACCOUNTANT**

**104 S. Muskogee Ave.**

**TAHLEQUAH, OKLAHOMA**

**SHADY GROVE SCHOOL DISTRICT CO26  
CHEROKEE COUNTY, OKLAHOMA  
JUNE 30, 2018**

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Shady Grove School District, No. CO26  
Cherokee County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements - regulatory basis - of Shady Grove School District, No. CO26 Cherokee County, Oklahoma as listed in the table of contents, as of and for the year ended June 30, 2018.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma. 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**

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

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I express no reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As discussed in Note 1 (C) to the financial statements, the financial statements are prepared by the Shady Grove School District, No. CO26 Cherokee County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 (C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, 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 Shady Grove School District, No. CO26 Cherokee County, Oklahoma as of June 30, 2018, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

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

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

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

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Shady Grove School District, No. CO26 Cherokee County, Oklahoma, as of June 30, 2018, 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 Matter**

#### **Other Information**

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my reported dated March 26, 2019, on my consideration of the Shady Grove School District, No. CO26 Cherokee County, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 Shady Grove School District, No. CO26 Cherokee County, Oklahoma's internal control over financial reporting and compliance.

March 26, 2019

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

**COMBINED FINANCIAL STATEMENTS**

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2018**

|   | <u>Governmental Fund Types</u> |                            | <u>Fiduciary Fund Types</u> | Total (Memorandum Only<br>Note 1)<br>2018 |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Trust and<br/>Agency</u> |   |
| <b><u>ASSETS</u></b>  |                                |                            |                             |   |
| Cash and Investments  | \$ 224,268.80                  | \$ 113,005.16              | \$ 11,807.57                | \$ 349,081.53                             |
| Amount Available in Debt Service Fund                             | -                              | -                          | -                           | -   |
| Amount to be Provided for Retirement of<br>General Long-Term Debt | -                              | -                          | -                           | -   |
| Amount to be Provided for Capitalized<br>Lease Agreements         | -                              | -                          | -                           | -   |
| Total Assets  | <u>\$ 224,268.80</u>           | <u>\$ 113,005.16</u>       | <u>\$ 11,807.57</u>         | <u>\$ 349,081.53</u>                      |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>                       |                                |                            |                             |   |
| Liabilities:  |                                |                            |                             |   |
| Warrants Payable  | \$ 23,834.46                   | \$ -                       | \$ -                        | \$ 23,834.46                              |
| Reserves  | 11,146.32                      | -                          | 11,807.57                   | 22,953.89                                 |
| General Obligation Bonds Payable                                  | -                              | -                          | -                           | -   |
| Capitalized Lease Obligations Payable                             | -                              | -                          | -                           | -   |
| Total Liabilities   | <u>34,980.78</u>               | <u>-</u>                   | <u>11,807.57</u>            | <u>46,788.35</u>                          |
| Fund Balances:  |                                |                            |                             |   |
| Designated for Capital Projects                                   | -                              | -                          | -                           | -   |
| Designated for Debt Service                                       | -                              | -                          | -                           | -   |
| Undesignated  | 189,288.02                     | 113,005.16                 | -                           | 302,293.18                                |
| Total Fund Balances   | <u>189,288.02</u>              | <u>113,005.16</u>          | <u>-</u>                    | <u>302,293.18</u>                         |
| Total Liabilities and Fund Balances                               | <u>\$ 224,268.80</u>           | <u>\$ 113,005.16</u>       | <u>\$ 11,807.57</u>         | <u>\$ 349,081.53</u>                      |

The accompanying notes and auditor's report are an integral part of these financial statements.



**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2018**

|  | <u>Governmental Fund Types</u> |                            | Total (Memorandum Only<br>Note 1)<br>2018 |
|--|--------------------------------|----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b><u>REVENUES:</u></b>  |                                |                            |   |
| Local Sources  | \$ 166,414.57                  | \$ 15,722.01               | \$ 182,136.58                             |
| Intermediate Sources   | 18,941.77                      | -                          | 18,941.77                                 |
| State Sources  | 1,012,042.39                   | -                          | 1,012,042.39                              |
| Federal Sources  | 328,343.86                     | -                          | 328,343.86                                |
| Total Revenues Collected   | <u>1,525,742.59</u>            | <u>15,722.01</u>           | <u>1,541,464.60</u>                       |
| <b><u>EXPENDITURES:</u></b>  |                                |                            |   |
| Instruction  | 896,036.13                     | -                          | 896,036.13                                |
| Support Services   | 509,319.52                     | -                          | 509,319.52                                |
| Non-Instructional Services   | 128,817.94                     | -                          | 128,817.94                                |
| Capital Outlay   | -                              | -                          | -   |
| Other Outlays  | -                              | -                          | -   |
| Debt Service:  | -                              | -                          | -   |
| Principal Retirement   | -                              | -                          | -   |
| Interest and Fiscal Agent Charges  | -                              | -                          | -   |
| Total Expenditures   | <u>1,534,173.59</u>            | <u>-</u>                   | <u>1,534,173.59</u>                       |
| Other Financing Sources (Uses):  |                                |                            |   |
| Bond Sale Proceeds   | -                              | -                          | -   |
| Excess of Revenues Over (Under) Expenditures                                     | <u>(8,431.00)</u>              | <u>15,722.01</u>           | <u>7,291.01</u>                           |
| Adjustments to Prior Year Encumbrances   | <u>-</u>                       | <u>-</u>                   | <u>-</u>                                  |
| Excess of Revenues and Other Sources Over (Under)<br>Expenditures and Other Uses | <u>(8,431.00)</u>              | <u>15,722.01</u>           | <u>7,291.01</u>                           |
| Beginning Fund Balances  | <u>197,719.02</u>              | <u>97,283.15</u>           | <u>295,002.17</u>                         |
| Ending Fund Balances   | <u>\$ 189,288.02</u>           | <u>\$ 113,005.16</u>       | <u>\$ 302,293.18</u>                      |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS**  
**BUDGETED GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|  | General Fund        |                     |                      | Special Revenue Funds<br>(Building) |                    |                      |
|--|---------------------|---------------------|----------------------|-------------------------------------|--------------------|----------------------|
|  | Original Budget     | Final Budget        | Actual               | Original Budget                     | Final Budget       | Actual               |
| <b><u>REVENUES COLLECTED:</u></b>  |                     |                     |                      |                                     |                    |                      |
| Local sources  | \$ 118,956.40       | \$ 118,956.40       | \$ 166,414.57        | \$ 14,387.99                        | \$ 14,387.99       | \$ 15,722.01         |
| Intermediate sources   | 16,411.83           | 16,411.83           | 18,941.77            | -                                   | -                  | -                    |
| State sources  | 999,180.04          | 999,180.04          | 1,012,042.39         | -                                   | -                  | -                    |
| Federal sources  | 182,166.00          | 182,166.00          | 328,343.86           | -                                   | -                  | -                    |
| Total revenues collected   | <u>1,316,714.27</u> | <u>1,316,714.27</u> | <u>1,525,742.59</u>  | <u>14,387.99</u>                    | <u>14,387.99</u>   | <u>15,722.01</u>     |
| <b><u>EXPENDITURES PAID:</u></b>   |                     |                     |                      |                                     |                    |                      |
| Instruction  | 844,433.29          | 844,433.29          | 896,036.13           | -                                   | -                  | -                    |
| Support services   | 540,000.00          | 540,000.00          | 509,319.52           | 111,671.14                          | 111,671.14         | -                    |
| Non-instructional services   | 130,000.00          | 130,000.00          | 128,817.94           | -                                   | -                  | -                    |
| Capital outlays  | -                   | -                   | -                    | -                                   | -                  | -                    |
| Other outlays  | -                   | -                   | -                    | -                                   | -                  | -                    |
| Total expenditures paid  | <u>1,514,433.29</u> | <u>1,514,433.29</u> | <u>1,534,173.59</u>  | <u>111,671.14</u>                   | <u>111,671.14</u>  | <u>-</u>             |
| Excess of revenues collected over (under)<br>expenditures before adjustments to<br>prior year encumbrances     | <u>(197,719.02)</u> | <u>(197,719.02)</u> | <u>(8,431.00)</u>    | <u>(97,283.15)</u>                  | <u>(97,283.15)</u> | <u>15,722.01</u>     |
| Adjustments to prior year encumbrances   | <u>-</u>            | <u>-</u>            | <u>-</u>             | <u>-</u>                            | <u>-</u>           | <u>-</u>             |
| Excess (deficiency) of revenues and other<br>resources over expenditures and other<br>financing sources (uses) | <u>(197,719.02)</u> | <u>(197,719.02)</u> | <u>(8,431.00)</u>    | <u>(97,283.15)</u>                  | <u>(97,283.15)</u> | <u>15,722.01</u>     |
| Fund balance, beginning of year  | <u>197,719.02</u>   | <u>197,719.02</u>   | <u>197,719.02</u>    | <u>97,283.15</u>                    | <u>97,283.15</u>   | <u>97,283.15</u>     |
| Fund balance, end of year  | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 189,288.02</u> | <u>\$ -</u>                         | <u>\$ -</u>        | <u>\$ 113,005.16</u> |

The accompanying notes and auditor's report are an integral part of these financial statements.

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

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Shady Grove School District No. CO26 (the "District") have been prepared on a regulatory basis of accounting which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The accounting policies are prescribed by the Oklahoma Department of Education, and conform to the system of accounting authorized by the State of Oklahoma. The following is a summary of the more significant accounting policies.

**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 included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

The Board of School Trustees (Board), an elected three member group constituting an on going entity, is the level of government which has governance responsibilities over all activities related to

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. REPORTING ENTITY (continued)**

public school education within the jurisdiction of the local dependent school district. The Board receives funding from local, state, and federal government sources, and must comply with the requirements of these funding source entities. However, the Board 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.

**B. FUND ACCOUNTING**

The District used 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.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Special Revenue Funds** - The first Special Revenue Fund is the District's Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

**Debt Service Fund** - The Debt Service Fund is the District's Sinking fund used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not have a Sinking Fund during the 2017-2018 school year.

**Capital Projects Fund** - The Capital Projects Fund is the District's Bond Fund 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 a Capital Projects Fund during the 2017-2018 school 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 does not have any Proprietary Funds.

**Fiduciary Fund Types**

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

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

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Account Groups**

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

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

**General Fixed Asset Account Group** - This account group is used to account for property, plant, and equipment of the School District. The District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes.

**Memorandum Only - Total Column**

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

**C. BASIS OF ACCOUNTING**

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 - and 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.

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. BASIS OF ACCOUNTING (continued)**

- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- 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 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 and liabilities are incurred for proprietary fund types and trust funds.

**D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS**

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

The 2017-2018 Estimate of Needs was approved by the Board and subsequently filed with the county clerk. The Estimate of Needs was approved by the excise board, and the requested levies were made.

**E. ENCUMBRANCES**

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



**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. ASSETS, LIABILITIES, AND FUND EQUITY**

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

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

**Inventories** - The value of consumable inventories at June 30, 2018, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

**Fixed Assets and Property, Plant, and Equipment** - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

**Compensated Absences** - In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits or vacation leave. Vested accumulated rights to receive sick pay benefits or vacation leave would be reported in the General Long-Term Debt Account Group since none of the vested sick leave is expected to be liquidated with expendable available financial resources; however, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

**Long-Term Debt** - Long-Term Debt is recognized as a liability of 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 when applicable.

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

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. REVENUES, EXPENSES, AND EXPENDITURES**

**Property Tax Revenues** - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

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

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

**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 revenues, expenditures, or 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

**SHADY GROVE SCHOOL DISTRICT NO. CO26  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Interfund Transactions (continued)**

residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2018.

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

**Risk Management** - The District participates in a risk pool for worker's compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense.

**NOTE 2: CASH AND INVESTMENTS**

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

In accordance with state statutes, the District's investment policy:

**Deposits and Investments** - The District's cash deposits and investments at June 30, 2018, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the District or by its agent in the District's name.

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING**

| <u>Grant: Federal Grantor/Pass<br/>Through Grantor/Program Title</u> | <u>Project<br/>Code</u> | <u>CFDA #</u> | <u>Grant<br/>Award</u> | <u>Revenue<br/>Receivable<br/>At 7-1-17</u> | <u>Receipts</u>      | <u>Expenditures</u>  | <u>Revenue<br/>Receivable<br/>At 6-30-18</u> |
|--|-------------------------|---------------|------------------------|---|----------------------|----------------------|--|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                  |                         |               |                        |   |                      |                      |  |
| <b><u>Direct Programs:</u></b>                                       |                         |               |                        |   |                      |                      |  |
| Title VII Indian Education   | 561                     | 84.060        | \$ 21,796.00           | \$ -  | \$ 21,796.00         | \$ 21,796.00         | \$ -   |
| Title VIII Impact Aid  | 591/592                 | 84.041        | 101,369.56             | -   | 101,369.56           | 101,369.56           | -  |
| Rural Education Achievement  | 588                     | 84.358A       | 18,559.00              | -   | 18,559.00            | 18,559.00            | -  |
| <b><u>Pass-through State Department of Education</u></b>             |                         |               |                        |   |                      |                      |  |
| Title I  | 511                     | 84.010        | 50,200.40              | -   | 49,506.30            | 49,506.30            | -  |
| REAP Cluster   |                         |               |                        |   |                      |                      |  |
| REAP Title II, Part A  | 586                     | 84.367        | 6,259.53               | -   | 6,259.53             | 6,259.53             | -  |
| Total for Program (Cluster)  |                         |               | 6,259.53               | -   | 6,259.53             | 6,259.53             | -  |
| Special Education Cluster  |                         |               |                        |   |                      |                      |  |
| IDEA - Part B Flow Through   | 621                     | 84.027        | 33,925.99              | -   | 33,925.99            | 33,925.99            | -  |
| IDEA - Part B Preschool  | 641                     | 84.173        | 2,582.51               | -   | 2,582.51             | 2,582.51             | -  |
| Total for Program (Cluster)  |                         |               | 36,508.50              | -   | 36,508.50            | 36,508.50            | -  |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                |                         |               |                        |   |                      |                      |  |
| <b><u>Pass-through State Department of Education</u></b>             |                         |               |                        |   |                      |                      |  |
| Child Nutrition Cluster  |                         |               |                        |   |                      |                      |  |
| School Breakfast Program - cash assistance                           | 764                     | 10.553        | 27,732.67              | -   | 27,732.67            | 27,732.67            | -  |
| National School Lunch Program:                                       |                         |               |                        |   |                      |                      |  |
| Cash assistance  | 763                     | 10.555        | 66,193.39              | -   | 66,193.39            | 66,193.39            | -  |
| Non-cash assistance: commodities                                     | 385                     | 10.555        | 9,029.47               | -   | 9,029.47             | 9,029.47             | -  |
| Total National School Lunch Program                                  |                         |               | 75,222.86              | -   | 75,222.86            | 75,222.86            | -  |
| Total for Program (Cluster)  |                         |               | 102,955.53             | -   | 102,955.53           | 102,955.53           | -  |
| <b><u>OTHER FEDERAL ASSISTANCE</u></b>                               |                         |               |                        |   |                      |                      |  |
| Flood Control  | 770                     | 12.112        | 418.91                 | -   | 418.91               | 418.91               | -  |
| <b>Total Federal Grants and Assistance</b>                           |                         |               | <b>\$ 338,067.43</b>   | <b>\$ -</b>                                 | <b>\$ 337,373.33</b> | <b>\$ 337,373.33</b> | <b>\$ -</b>                                  |

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4: INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2018.

**NOTE 5: 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.

The District had no General Long-Term Debt at June 30, 2018.

**NOTE 6: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 26, 2019, which is the date the financial statements were available to be issued.

**NOTE 6: OTHER POST EMPLOYMENT BENEFITS**

The District does not offer any early retirement incentive plans.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7: EMPLOYMENT RETIREMENT SYSTEM**

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

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

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

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

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2018. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)**

The District's contributions to the System for the years ending June 30, 2018, 2017, and 2016 were \$91,084, \$89,182, and \$93,774, respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts.

The Oklahoma Teacher Retirement System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Oklahoma Teacher's Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

Ten year historical trend information is presented in the Teacher's Retirement System of the Oklahoma Annual Report for the year ended June 30, 2017. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

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

| <u>Actuarial</u><br><u>Valuation Date</u> | <u>Actuarial</u><br><u>Value of</u><br><u>Assets(AVA)</u><br><u>(a)</u> | <u>Actuarial</u><br><u>Accrued</u><br><u>Liability</u><br><u>(AAL)(b)</u> | <u>Unfunded</u><br><u>Actuarial</u><br><u>Accrued</u><br><u>Liability</u><br><u>(UAAL)(b-a)</u> | <u>Funder</u><br><u>Ratio(a/b)</u> | <u>Annual</u><br><u>Covered</u><br><u>Payroll(c)</u> | <u>UAAL as %</u><br><u>of Covered</u><br><u>Payroll</u><br><u>(b-a)/(c)</u> |
|---|---|---|---|------------------------------------|--|---|
| June 30, 2008                             | 9,256.8   | 18,346.9  | 9,090.1   | 50.5%                              | 3,751.4  | 243.3%  |
| June 30, 2009                             | 9,439.0   | 18,950.9  | 9,512.0   | 49.8%                              | 3,807.9  | 249.8%  |
| June 30, 2010                             | 9,566.7   | 19,980.6  | 10,414.0  | 47.9%                              | 3,854.8  | 270.2%  |
| June 30, 2011                             | 9,960.6   | 17,560.8  | 7,600.2   | 56.7%                              | 3,773.3  | 201.4%  |
| June 30, 2012                             | 10,190.5  | 18,588.0  | 8,397.6   | 54.8%                              | 3,924.8  | 214.0%  |
| June 30, 2013                             | 10,861.1  | 18,973.2  | 8,112.1   | 57.2%                              | 3,933.1  | 206.3%  |
| June 30, 2014                             | 12,369.0  | 19,575.6  | 7,206.6   | 63.2%                              | 4,002.9  | 180.0%  |
| June 30, 2015                             | 13,771.9  | 20,692.6  | 6,920.7   | 66.6%                              | 4,231.8  | 163.5%  |
| June 30, 2016                             | 14,577.9  | 22,193.4  | 7,615.6   | 65.7%                              | 4,254.8  | 179.0%  |
| June 30, 2017                             | 15,516.3  | 22,054.1  | 6,537.8   | 70.4%                              | 4,115.7  | 158.9%  |

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8: CONTINGENCIES AND OTHER COMMITMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability for 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.

**NOTE 9: RISK MANAGEMENT**

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

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

**NOTE 10: SURETY BONDS**

The District purchased commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and worker's compensation. The District also purchases surety bonds for employees in the following positions: Co-Custodian Activity Fund bond number 62083094 with Western Surety Company dated 07/1/2017 through 7/1/2018 for the sum of \$25,000.00. Co-Custodian Activity Fund bond number 1553477 with Western Surety Company dated 11/13/2017 through 11/13/2018 for the sum of \$25,000.00. Minutes and Encumbrances Clerk bond number 16068449 dated 01/05/2018 through 01/05/2019 in the amount of \$2,000.00. Superintendent bond number 62083002 dated 07/1/2017 through 07/1/2018 in the amount of \$100,000.00 with Western Surety. The Treasurer also had bond #69773654, that has been continuous since 2004, in the amount of \$100,000.00 with Western Surety.



**COMBINING FINANCIAL STATEMENTS**

**SHADY GROVE SCHOOL DISTRICT NO. C026**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2018**

|   | <u>Building<br/>Fund</u> | <u>Total</u>         |
|---|--------------------------|----------------------|
| <b><u>ASSETS</u></b>                            |                          |                      |
| Cash and Investments                            | \$ 113,005.16            | \$ 113,005.16        |
| Total Assets                                    | <u>\$ 113,005.16</u>     | <u>\$ 113,005.16</u> |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b> |                          |                      |
| Liabilities:                                    |                          |                      |
| Warrants Payable                                | \$ -                     | \$ -                 |
| Total Liabilities                               | <u>-</u>                 | <u>-</u>             |
| <br>Fund Balances:                              |                          |                      |
| Undesignated                                    | <u>113,005.16</u>        | <u>113,005.16</u>    |
| Total Fund Balances                             | <u>113,005.16</u>        | <u>113,005.16</u>    |
| <br>Total Liabilities and Fund Balances         | <u>\$ 113,005.16</u>     | <u>\$ 113,005.16</u> |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2018**

|  | Building<br>Fund            | Total (Memorandum Only<br>Note 1)<br>2018 |
|--|-----------------------------|---|
| <b><u>REVENUES:</u></b>  |                             |   |
| Local Sources  | \$ 15,722.01                | \$ 15,722.01                              |
| Intermediate Sources   | -                           | -   |
| State Sources  | -                           | -   |
| Federal Sources  | -                           | -   |
| Total Revenues Collected   | <u>15,722.01</u>            | <u>15,722.01</u>                          |
| <b><u>EXPENDITURES:</u></b>  |                             |   |
| Instruction  | -                           | -   |
| Support Services   | -                           | -   |
| Non-Instructional Services   | -                           | -   |
| Capital Outlay   | -                           | -   |
| Other Outlays  | -                           | -   |
| Total Expenditures   | <u>-</u>                    | <u>-</u>                                  |
| Excess of Revenues Over (Under) Expenditures                                     | <u>15,722.01</u>            | <u>15,722.01</u>                          |
| Adjustments to Prior Year Encumbrances   | <u>-</u>                    | <u>-</u>                                  |
| Excess of Revenues and Other Sources Over (Under)<br>Expenditures and Other Uses | 15,722.01                   | 15,722.01                                 |
| Beginning Fund Balances  | <u>97,283.15</u>            | <u>97,283.15</u>                          |
| Ending Fund Balances   | <u><u>\$ 113,005.16</u></u> | <u><u>\$ 113,005.16</u></u>               |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REGULATORY BASIS - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|  | Special Revenue Funds |                    |                      |
|--|-----------------------|--------------------|----------------------|
|  | Building Fund         |                    |                      |
|  | Original Budget       | Final Budget       | Actual               |
| <b><u>REVENUES COLLECTED:</u></b>  |                       |                    |                      |
| Local sources  | \$ 14,387.99          | \$ 14,387.99       | \$ 15,722.01         |
| Intermediate sources   | -                     | -                  | -                    |
| State sources  | -                     | -                  | -                    |
| Federal sources  | -                     | -                  | -                    |
| Total revenues collected   | <u>14,387.99</u>      | <u>14,387.99</u>   | <u>15,722.01</u>     |
| <b><u>EXPENDITURES PAID:</u></b>   |                       |                    |                      |
| Instruction  | -                     | -                  | -                    |
| Support services   | 111,671.14            | 111,671.14         | -                    |
| Non-instructional services   | -                     | -                  | -                    |
| Capital outlays  | -                     | -                  | -                    |
| Other outlays  | -                     | -                  | -                    |
| Total expenditures paid  | <u>111,671.14</u>     | <u>111,671.14</u>  | <u>-</u>             |
| Excess of revenues collected over (under)<br>expenditures before adjustments to<br>prior year encumbrances     | <u>(97,283.15)</u>    | <u>(97,283.15)</u> | <u>15,722.01</u>     |
| Adjustments to prior year encumbrances   | <u>-</u>              | <u>-</u>           | <u>-</u>             |
| Excess (deficiency) of revenues and other<br>resources over expenditures and other<br>financing sources (uses) | (97,283.15)           | (97,283.15)        | 15,722.01            |
| Fund balance, beginning of year  | <u>97,283.15</u>      | <u>97,283.15</u>   | <u>97,283.15</u>     |
| Fund balance, end of year  | <u>\$ -</u>           | <u>\$ -</u>        | <u>\$ 113,005.16</u> |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|   | Agency<br>Fund<br>Activity<br>Fund | Total<br>2018       |
|---|------------------------------------|---------------------|
| <b><u>ASSETS</u></b>                            |                                    |                     |
| Cash and Investments                            | \$ 11,807.57                       | \$ 11,807.57        |
| Total Assets                                    | <u>\$ 11,807.57</u>                | <u>\$ 11,807.57</u> |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b> |                                    |                     |
| Liabilities:                                    |                                    |                     |
| Due to Student Groups                           | \$ 11,807.57                       | \$ 11,807.57        |
| Total Liabilities                               | <u>\$ 11,807.57</u>                | <u>\$ 11,807.57</u> |
| <br>Fund Balances:                              |                                    |                     |
| Unreserved:                                     |                                    |                     |
| Undesignated                                    | <u>-</u>                           | <u>-</u>            |
| Total Fund Balances                             | <u>-</u>                           | <u>-</u>            |
| <br>Total Liabilities and Fund Balances         | <u>\$ 11,807.57</u>                | <u>\$ 11,807.57</u> |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|                           | Agency Funds            |                     |                     |                          |
|---------------------------|-------------------------|---------------------|---------------------|--------------------------|
|                           | Balance<br>July 1, 2017 | Additions           | Deletions           | Balance<br>June 30, 2018 |
| <b><u>ACTIVITIES</u></b>  |                         |                     |                     |                          |
| Student Activities        | \$ 12,681.99            | \$ 27,011.21        | \$ 27,885.63        | \$ 11,807.57             |
| Total - All Agency Funds  | <u>\$ 12,681.99</u>     | <u>\$ 27,011.21</u> | <u>\$ 27,885.63</u> | <u>\$ 11,807.57</u>      |
| <b><u>ASSETS</u></b>      |                         |                     |                     |                          |
| Cash                      | \$ 12,681.99            | \$ 27,011.21        | \$ 27,885.63        | \$ 11,807.57             |
| Total Assets              | <u>\$ 12,681.99</u>     | <u>\$ 27,011.21</u> | <u>\$ 27,885.63</u> | <u>\$ 11,807.57</u>      |
| <b><u>LIABILITIES</u></b> |                         |                     |                     |                          |
| Due to Student Groups     | \$ 12,681.99            | \$ 27,011.21        | \$ 27,885.63        | \$ 11,807.57             |
| Total Liabilities         | <u>\$ 12,681.99</u>     | <u>\$ 27,011.21</u> | <u>\$ 27,885.63</u> | <u>\$ 11,807.57</u>      |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|   | General<br>Fund     | 8th grade<br>Fund | Christmas<br>Fund | Band<br>Fund | Total               |
|---|---------------------|-------------------|-------------------|--------------|---------------------|
| <b><u>ASSETS</u></b>                        |                     |                   |                   |              |                     |
| Cash and Investments                        | \$ 11,662.65        | \$ 7.22           | \$ 137.70         | \$ -         | \$ 11,807.57        |
| Total Assets                                | <u>\$ 11,662.65</u> | <u>\$ 7.22</u>    | <u>\$ 137.70</u>  | <u>\$ -</u>  | <u>\$ 11,807.57</u> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                     |                   |                   |              |                     |
| Liabilities:                                |                     |                   |                   |              |                     |
| Due to Others                               | \$ 11,662.65        | \$ 7.22           | \$ 137.70         | \$ -         | \$ 11,807.57        |
| Total Liabilities                           | <u>\$ 11,662.65</u> | <u>\$ 7.22</u>    | <u>\$ 137.70</u>  | <u>\$ -</u>  | <u>\$ 11,807.57</u> |
| Fund Balances:                              |                     |                   |                   |              |                     |
| Undesignated                                | \$ -                | \$ -              | \$ -              | \$ -         | \$ -                |
| Total Fund Balances                         | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>  | <u>\$ -</u>         |
| Total Liabilities and Fund Balances         | <u>\$ 11,662.65</u> | <u>\$ 7.22</u>    | <u>\$ 137.70</u>  | <u>\$ -</u>  | <u>\$ 11,807.57</u> |

The accompanying notes and auditor's report are an integral part of these financial statements.

**SHADY GROVE SCHOOL DISTRICT NO. CO26**  
**SCHEDULE OF FEDERAL AWARDS EXPENSED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| <u>Grant: Federal Grantor/Pass<br/>Through Grantor/Program Title</u> | <u>CFDA<br/>Number</u> | <u>Project<br/>Number</u> | <u>Approved<br/>Amount</u> | <u>Balance at<br/>June 30, 2017</u> | <u>Receipts</u>      | <u>Expenditures</u>  | <u>Balance at<br/>June 30, 2018</u> |
|--|------------------------|---------------------------|----------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                  |                        |                           |                            |                                     |                      |                      |                                     |
| <i><u>Direct Programs:</u></i> - Note I                              |                        |                           |                            |                                     |                      |                      |                                     |
| Title VII Indian Education   | 84.060                 | 561                       | \$ 21,796.00               | \$ -                                | \$ 21,796.00         | \$ 21,796.00         | \$ -                                |
| Title VIII Impact Aid  | 84.041                 | 591/592                   | 101,369.56                 | -                                   | 101,369.56           | 101,369.56           | -                                   |
| Rural Education Achievement  | 84.358A                | 588                       | 18,559.00                  | -                                   | 18,559.00            | 18,559.00            | -                                   |
| <i><u>Pass-through State Department of Education</u></i> - Note I    |                        |                           |                            |                                     |                      |                      |                                     |
| Title I  | 84.010                 | 511                       | 50,200.40                  | -                                   | 49,506.30            | 49,506.30            | -                                   |
| REAP Cluster   |                        |                           |                            |                                     |                      |                      |                                     |
| REAP Title II, Part A  | 84.367                 | 586                       | 6,259.53                   | -                                   | 6,259.53             | 6,259.53             | -                                   |
| Total for Program (Cluster)  |                        |                           | 6,259.53                   | -                                   | 6,259.53             | 6,259.53             | -                                   |
| Special Education Cluster  |                        |                           |                            |                                     |                      |                      |                                     |
| IDEA - Part B Flow Through   | 84.027                 | 621                       | 33,925.99                  | -                                   | 33,925.99            | 33,925.99            | -                                   |
| IDEA - Part B Preschool  | 84.173                 | 641                       | 2,582.51                   | -                                   | 2,582.51             | 2,582.51             | -                                   |
| Total for Program (Cluster)  |                        |                           | 36,508.50                  | -                                   | 36,508.50            | 36,508.50            | -                                   |
| Total Department of Education  |                        |                           | \$ 234,692.99              | \$ -                                | \$ 233,998.89        | \$ 233,998.89        | \$ -                                |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                |                        |                           |                            |                                     |                      |                      |                                     |
| <i><u>Pass-through State Department of Education</u></i>             |                        |                           |                            |                                     |                      |                      |                                     |
| Child Nutrition Cluster  |                        |                           |                            |                                     |                      |                      |                                     |
| School Breakfast Program - cash assistance                           | 10.553                 | 764                       | 27,732.67                  | -                                   | 27,732.67            | 27,732.67            | -                                   |
| National School Lunch Program:                                       |                        |                           |                            |                                     |                      |                      |                                     |
| Cash assistance  | 10.555                 | 763                       | 66,193.39                  | -                                   | 66,193.39            | 66,193.39            | -                                   |
| Non-cash assistance: commodities                                     | 10.555                 | 385                       | 9,029.47                   | -                                   | 9,029.47             | 9,029.47             | -                                   |
| Total National School Lunch Program                                  |                        |                           | 75,222.86                  | -                                   | 75,222.86            | 75,222.86            | -                                   |
| Total for Program (Cluster)  |                        |                           | 102,955.53                 | -                                   | 102,955.53           | 102,955.53           | -                                   |
| <b><u>OTHER FEDERAL PROGRAMS</u></b>                                 |                        |                           |                            |                                     |                      |                      |                                     |
| Flood Control  | 12.112                 | 770                       | 418.91                     | -                                   | 418.91               | 418.91               | -                                   |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                      |                        |                           | <u>\$ 338,067.43</u>       | <u>\$ -</u>                         | <u>\$ 337,373.33</u> | <u>\$ 337,373.33</u> | <u>\$ -</u>                         |

Note 1 - Funds were expended and properly reported in prior years.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by the amount.

Note 3 - Basis of Accounting: is presented on an other comprehensive basis of accounting conforming with accounting practices prescribed or permitted by the Oklahoma State Department of Education.



**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  
Shady Grove School District, No. CO26  
Cherokee County, Oklahoma

I 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 Shady Grove School District, No. CO26 Cherokee County, Oklahoma (District), as listed in the Table of Contents, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated March 26, 2019, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, my 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 my audit, I considered the District's internal control over financial reporting (internal control) to determine the audit procedure that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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.

My 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 Shady Grove School District, No. CO26 Cherokee County financial statements are free of misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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.

March 26, 2019

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

**SHADY GROVE SCHOOL DISTRICT NO. CO26  
STATEMENT OF PRIOR YEAR FINDINGS  
JUNE 30, 2018**

**PRIOR YEAR FINDINGS:**

There were no prior year findings.

**SHADY GROVE SCHOOL DISTRICT NO. C026  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2017 TO JUNE 30, 2018**

State of Oklahoma

County of Cherokee

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Shady Grove School for the audit year 2017-2018.

Alan Chapman, C.P.A.

*Alan Chapman*

By \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me this 4 day of April, 2019.

*Kate N. Scott*  
\_\_\_\_\_  
Notary Public



My Commission Expires: 9/19/2022  
My Commission Number: 18008504

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 Shady Grove School District Number \_\_\_\_\_  
County Name Cherokee County Code \_\_\_\_\_

Audit Year: 2017-2018

The annual independent audit for the Shady Grove School District  
(District Name)  
was presented to the Board of Education in an Open Board Meeting on Apr 4, 2019  
(Date of Meeting)  
by Alan Chapman CPA  
(Independent Auditor) Alan Chapman  
(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."

Ernest Hoyle  
Superintendent, Signature

Rea Arnold Short  
Board of Education President, Signature

Board of Education Vice President, Signature

Elizabeth Colvin  
Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature



Subscribed and sworn before me on Apr 4, 2019

Kate N. Scott  
(Notary Public)

My Commission expires 9/19/2022

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