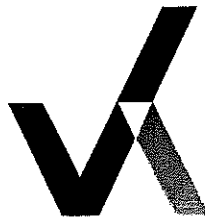


**AUDITED FINANCIAL STATEMENTS - REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**SHADY POINT SCHOOL DISTRICT NO. C-4,  
LEFLORE COUNTY, OKLAHOMA**

**JUNE 30, 2015**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

SHADY POINT SCHOOL DISTRICT NO. C-4  
LEFLORE COUNTY, OKLAHOMA  
JUNE 30, 2015

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SHADY POINT SCHOOL DISTRICT NO. C-4  
LEFLORE COUNTY, OKLAHOMA  
JUNE 30, 2015

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SHADY POINT SCHOOL DISTRICT NO. C-4  
LEFLORE COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

BOARD OF EDUCATION

President	Marcus Blair
Vice-President	Gary Wright
Clerk	Della Malone

SUPERINTENDENT OF SCHOOLS

Bruce Gillham

MINUTES CLERK

Dephna Stacy

SCHOOL DISTRICT TREASURER

Rosemary Chandler



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Shady Point School District No. C-004  
Shady Point, Oklahoma 74956-1005

**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 Shady Point School District No. C-004, Shady Point, Oklahoma (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education. 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 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 Shady Point School District No. C-004, 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

fund information of the Shady Point School District No. C-004, LeFlore County, Oklahoma as of June 30, 2015, 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, 2015, 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining statements-regulatory basis 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 January 7, 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.

January 7, 2016

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2015

ASSETS	GENERAL	GOVERNMENTAL FUND TYPES			CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS 2015
		SPECIAL REVENUE	DEBT SERVICE					
Cash	\$ 229,169	20,051	21,035	4,801	21,474	369	296,530	
Amounts available in debt service							369	
Amounts to be provided for retirement of general long-term debt						220,716	220,716	
Total Assets	229,169	20,051	21,035	4,801	21,474	221,085	517,615	

LIABILITIES AND FUND BALANCES

Liabilities							
Warrants payable	145,555	11,948			21,474		157,503
Funds held for school organizations							21,474
Unmatured obligations			20,666				20,666
Long-term debt:							
Bonds payable						160,000	160,000
Capital leases						61,085	61,085
Total liabilities	145,555	11,948	20,666		21,474	221,085	420,728
Fund balances							
Restricted for:				4,801			4,801
Capital projects							369
Debt service							8,104
Building		8,104					83,614
Unassigned	83,614						83,614
Total fund balances	83,614	8,104	369	4,801	-		96,888
Total liabilities and fund balances	\$ 229,169	20,051	21,035	4,801	21,474	221,085	517,615

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



SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES

JUNE 30, 2015

	GOVERNMENTAL FUND TYPES				TOTALS 2015
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues					
Local sources	\$ 176,844	22,636	21,740	89	221,309
Intermediate sources	14,989				14,989
State sources	695,666				695,666
Federal sources	306,443				306,443
Non-revenue receipts	81,738				81,738
Total revenues	<u>1,275,680</u>	<u>22,636</u>	<u>21,740</u>	<u>89</u>	<u>1,320,145</u>
Expenditures					
Instruction	736,636				736,636
Support services	321,292	33,182		103,102	457,576
Operation of non-instructional services	92,583				92,583
Other outlays	81,801				81,801
Repayments	350				350
Debt service			22,112		22,112
Total expenditures	<u>1,232,662</u>	<u>33,182</u>	<u>22,112</u>	<u>103,102</u>	<u>1,391,058</u>
Revenues over (under) expenditures	43,018	(10,546)	(372)	(103,013)	(70,913)
Other financing sources (uses)					
Bank fees	(41)				(41)
Lapsed appropriations	11,931	1,429		21,159	34,519
Stopped warrants	3,204			583	3,787
Total other financing sources (uses)	<u>15,094</u>	<u>1,429</u>		<u>21,742</u>	<u>38,265</u>
Revenue and other sources over (under) expenditures and other uses	58,112	(9,117)	(372)	(81,271)	(32,648)
Cash fund balance, beginning of year	25,502	17,221	741	86,072	129,536
Cash fund balance, end of year	<u>\$ 83,614</u>	<u>8,104</u>	<u>369</u>	<u>4,801</u>	<u>96,888</u>

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - BUDGETED GENERAL FUND**  
**JUNE 30, 2015**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 151,717	151,717	176,844
Intermediate sources	12,180	12,180	14,989
State sources	676,140	676,140	695,666
Federal sources	232,158	406,634	306,443
Non-revenue receipts			81,738
Total revenues	<u>1,072,195</u>	<u>1,246,671</u>	<u>1,275,680</u>
Expenditures			
Instruction			736,636
Support services			321,292
Operation of non-instructional services			92,583
Other outlays			81,801
Repayments			350
Non-categorical	1,097,697	1,272,173	
Total expenditures	<u>1,097,697</u>	<u>1,272,173</u>	<u>1,232,662</u>
Revenues over (under) expenditures	(25,502)	(25,502)	43,018
Other financing sources (uses)			
Bank fees			(41)
Lapsed appropriations			11,931
Estopped warrants			3,204
Total other financing sources (uses)			<u>15,094</u>
Revenue and other sources over (under) expenditures and other uses	(25,502)	(25,502)	58,112
Cash fund balance, beginning of year	<u>25,502</u>	<u>25,502</u>	<u>25,502</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>83,614</u>

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2015**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 21,001	21,001	22,636
Total revenues	<u>21,001</u>	<u>21,001</u>	<u>22,636</u>
Expenditures			
Support services	13,500	13,500	33,182
Non-categorical	<u>24,722</u>	<u>24,722</u>	
Total expenditures	<u>38,222</u>	<u>38,222</u>	<u>33,182</u>
Revenues over (under) expenditures	(17,221)	(17,221)	(10,546)
Other financing sources (uses)			
Lapsed appropriations			<u>1,429</u>
Total other financing sources (uses)			<u>1,429</u>
Revenue and other sources over (under) expenditures and other uses	(17,221)	(17,221)	(9,117)
Cash fund balance, beginning of year	<u>17,221</u>	<u>17,221</u>	<u>17,221</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>8,104</u>

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - DEBT SERVICE FUNDS**  
**JUNE 30, 2015**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 22,116	22,116	21,740
Total revenues	22,116	22,116	21,740
Expenditures			
Other outlays			
Debt service	22,857	22,857	22,112
Revenues over (under) expenditures	(741)	(741)	(372)
Cash fund balance, beginning of year	741	741	741
Cash fund balance, end of year	\$ -	-	369

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

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Shady Point Public Schools, District No. C-4 (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.

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 2014-15 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 2014-15 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.

**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.



SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 2014-15 fiscal year.

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

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.

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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.

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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;

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015 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.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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 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 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.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

*F. Revenue and Expenditures - contd.*

machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

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

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

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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

*F. Revenue and Expenditures* - contd.

reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no inter-fund transfers during the 2014-15 fiscal year.

2. **Deposits and Investments**

Custodial Credit Risk

At June 30, 2015, the District held deposits of approximately \$296,530 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 deposit 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.



**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

- 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.).

The District did not have any investments as of June 30, 2015.

**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 transportation and building bonds payable and a capital lease. 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, 2015:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2014	\$ 175,000	35,833	210,833
Additions	-	40,190	40,190
Retirements	15,000	14,938	29,938
Balance, June 30, 2015	<u>\$ 160,000</u>	<u>61,085</u>	<u>221,085</u>

A brief description of the outstanding long-term debt at June 30, 2015 is set forth below:

	Amount outstanding
<u>General Obligation Bonds</u>	
Building Bonds, Series 2013, original issue \$175,000, interest rate of 2.0-3.0%, due in an initial installments of \$15,000, beginning 5-1-15, annual installments thereafter of \$20,000, final payment due 5-1-23;	\$ 160,000

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

	<u>Amount outstanding</u>
<u>Capital Leases</u>	
Lease purchase with First Nat'l Bank for a Computer Equipment totaling \$40,000, interest rate of 5.5%, due in annual installments of \$14,126 beginning 3-30-14, final payment due 3-20-16;	\$ 13,388
Lease purchase with First Nat'l Bank for a Tractor totaling \$12,473, interest rate of 5.5%, due in annual installments of \$2,783 beginning 7-15-13, final payment due 7-15-17;	7,508
Lease purchase with First Nat'l Bank for HVAC Equipment totaling \$49,870, interest rate of 3.36%, due in annual installments of \$10,906 beginning 6-30-15, final payment due 6-30-19;	<u>40,189</u>
<b>Total</b>	<u><u>\$ 221,085</u></u>

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2016	\$ 20,000	4,000	24,000
2017	20,000	3,500	23,500
2018	20,000	3,000	23,000
2019	20,000	2,500	22,500
2020	20,000	2,100	22,100
2021-2023	60,000	3,400	63,400
Totals	<u><u>\$ 160,000</u></u>	<u><u>18,500</u></u>	<u><u>178,500</u></u>

There was \$4,375 interest paid on general long-term debt incurred during the current year.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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

Year ending June 30	Principal	Interest	Total
2016	\$ 25,310	2,505	27,815
2017	12,376	1,313	13,689
2018	12,847	843	13,690
2019	10,552	354	10,906
Total	\$ 61,085	5,015	66,100

**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 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

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

*Basis of Accounting – contd.*

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, 2014 (latest information available) was \$747,357.

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 2015, 2014 and 2013 were \$54,578, \$62,227 and \$57,007 respectively.

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.



**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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**

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Balance <u>July 1, 2014</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
<b>Assets</b>					
Cash	\$ 12,288	55,843	-	46,657	21,474
<b>Liabilities</b>					
Funds held for student organizations					
Athletics	\$ 3,065	16,437		14,053	5,449
Miscellaneous	689	6,294		5,319	1,664
Library	1,340	26		500	866
Annual	2,741	337		574	2,504
Spec Ed	200	-		-	200
Special Projects	928	-		143	785
ECD	-	202		87	115
KDG	-	204		57	147
First	85	202		58	229
Second	181	96		51	226
Third	10	58		50	18
Fourth	-	58		50	8
Fifth	25	255		192	88
Sixth	67	2,093		1,442	718
Seventh	-	255		140	115
Eighth	345	1,114		1,436	23
Benevolence	52	-		40	12
PTO	2,260	3,776		2,753	3,283
WarriorNation	300	165		300	165
2015 Leflore Co JH Tournament	-	24,271		19,412	4,859
<b>Total Liabilities</b>	<b>\$ 12,288</b>	<b>55,843</b>	<b>-</b>	<b>46,657</b>	<b>21,474</b>

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/01/2014	Revenue Collected	Total Expenditures	Ending Balance 6/30/2015
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060	561	\$ 13,017		13,017	13,017	
Title VI-Small, Rural School Ach. Program	84.358A	588	16,617		16,617	16,617	
<b>Subtotal - Direct Programs</b>			<u>29,634</u>	-	<u>29,634</u>	<u>29,634</u>	-
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010	511	41,478		40,872	40,872	
Title I-School Improvement	84.010	515	31,299		6,730	6,730	
Title I-School Improvement 2013-14 - Note 1	84.010	799		(4,060)	4,060		
Title II-Part A, Teacher & Principal Training	84.367	586	5,673		5,673	5,673	
Special Education, Flowthrough, P.L. 105-17	84.027	621	31,568		31,568	31,568	
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173	641	1,366		1,366	1,366	
Title IV-Part B, 21st Century	84.287	553	113,044		78,159	88,552	(10,393)
Title IV-Part B, 21st Century 2013-14 - Note 1	84.287	799		(51,147)	51,147		
<b>Subtotal - Passed Through State Dept. of Education</b>			<u>\$ 224,428</u>	<u>(55,207)</u>	<u>219,575</u>	<u>174,761</u>	<u>(10,393)</u>

<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
<u>Child Nutrition Cluster:</u>							
<u>Non-Cash Assistance (Commodities):</u>							
National School Lunch Program	10.555				5,553	5,553	
<i>Non-Cash Assistance Subtotal</i>					<u>5,553</u>	<u>5,553</u>	
<u>Cash Assistance:</u>							
National School Lunch Program	10.555	763			37,111	37,111	
School Breakfast Program	10.553	764			13,917	13,917	
Equipment Assistance Grant	10.579	791			6,089	6,089	
<i>Cash Assistance Subtotal</i>					<u>57,117</u>	<u>57,117</u>	
<b>Subtotal - Child Nutrition Program (Cluster)</b>					<u>62,670</u>	<u>62,670</u>	



**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2014</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2015</u>
<u>Other Federal Assistance:</u>							
Flood Control	12.112	770	\$ 117	117	117	117	-
<b>Subtotal - Other Federal Assistance</b>			<u>117</u>	<u>-</u>	<u>117</u>	<u>117</u>	<u>-</u>
<b>Total Federal Assistance</b>			<u>\$ 254,179</u>	<u>(55,207)</u>	<u>311,996</u>	<u>267,182</u>	<u>(10,393)</u>

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

Note 2 - Commodities received by the District in the amount of \$5,553 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.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**SCHEDULE OF SURETY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Superintendent	LFM0026053	\$ 100,000	7/1/14-7/1/15
	Treasurer	POB1100363	\$ 100,000	7/1/14-7/1/15
	Encumbrance Clerk	LFM0026053	\$ 10,000	7/1/14-7/1/15
	Activity Fund Custodian	LFM0026053	\$ 10,000	7/1/14-7/1/15
	Minutes Clerk	LFM0026053	\$ 10,000	7/1/14-7/1/15



**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  
Shady Point School District No. C-004  
Shady Point, Oklahoma 74956-1005

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 of Shady Point School District No. C-004, Shady Point, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 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.

### **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 four (4) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings. We also reported these matters to the District's management in a separate letter dated January 7, 2016.

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the letter following the audit acknowledgement page. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

January 7, 2016

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
SCHEDULE OF FINDINGS  
JULY 1, 2014 TO JUNE 30, 2015

**Findings – Financial Statement Audit**

15-01 – Activity Fund Deposits

Condition: We observed receipts for the activity fund were not always deposited in a timely manner.

Criteria: Receipts should be deposited on a daily basis once the accumulated balance equals or exceeds one hundred dollars (\$100.00) or at least once a week regardless of how much is on hand.

Effect: Cash or checks relating to receipts that are not deposited timely could get lost or stolen.

Recommendation: The Activity Fund custodian should deposit receipts for cash and checks on a daily basis unless the daily total does not exceed one hundred dollars (\$100.00), but at least once a week regardless as required by the State Department of Education.

15-02 – Federal Program Expenditures

Condition: Several of the federal programs the District participated in had discrepancies in the amount of expenditures coded as of the date of final audit work on 11/11/15. These codes were corrected in a subsequent submission of data to the State Department of Education.

Criteria: Expenditures for federal programs must be coded to the proper project codes to accurately report federal expenditures to the Oklahoma State Department of Education as well as to ensure proper payment of federal matching with the Oklahoma Teachers Retirement System.

Effect: The District could misreport total federal expenditures to the Oklahoma State Department of Education and could fail to pay federal matching contributions to the Oklahoma Teachers Retirement System.

Recommendation: That a year-end reconciliation of federal revenues to federal expenditures be done to ensure proper reporting of federal programs to the Oklahoma State Department of Education.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY**  
**SCHEDULE OF FINDINGS**  
**JULY 1, 2014 TO JUNE 30, 2015**

**Findings – Financial Statement Audit – cont'd**

15-03 – Activity Fund Expenditures

Condition: We observed several instances of activity fund payments that did not have documentation in the files to adequately support the expenditures.

Criteria: Checks observed in the activity fund should have some kind of supporting documentation that explains the purpose of the expenditure, when it was purchased, and a detailed list of the items purchased on the invoice(s) that can be correlated back to the amount of the payment.

Effect: Lack of documentation of expenditures in the activity fund could result in double payments for expenditures, approval of illegal expenditures, and/or coding to the wrong sub-account if the supporting documentation does not properly explain what exactly was purchased.

Recommendation: The Activity Fund custodian maintain adequate supporting documentation for all expenditures made out of the activity fund.

15-04 – Treasurer Reports

Condition: The District Treasurer's report as of June 30, 2015 did not correctly report the District's fund balance. While it correctly reported cash at the bank, the fund balance for the General Fund was overstated by \$105,932.

Criteria: The District's Encumbrance Clerk and Treasurer must work to finalize the year-end fund balance in a reasonable time period after the end of the fiscal year in order to properly report fund balance information to the Board of Education and the State Department of Education.

Effect: The Board of Education could be misinformed about the financial position of the District and the incorrect financial information could be reported to the State Department of Education through its OCAS data.

Recommendation: We recommend that the District Treasurer and Encumbrance Clerk work together to finalize the District's financial information within a reasonable amount of time after the fiscal year end to ensure accurate financial reporting to the Board of Education and State Department of Education.

**SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2014 TO JUNE 30, 2015**

None.

SHADY POINT SCHOOL DISTRICT NO. C-4, LEFLORE COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2014 TO JUNE 30, 2015

State of Oklahoma    )  
County of Tulsa        )

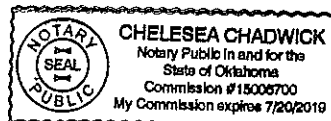
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Shady Point School District for the audit year 2014-15.

Jenkins & Kemper, CPAs, P.C.  
AUDITING FIRM

BY *Jack Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
7 day of January, 2016

*Chelesea Chadwick*  
NOTARY PUBLIC





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 POINT PUBLIC SCHOOLS  
County Name LEFLORE

District Number C-4  
County Code 40

Audit Year: 2014-2015

The annual independent audit for the SHADY POINT PUBLIC SCHOOLS  
(District Name)  
was presented to the Board of Education in an Open Board Meeting on 2-12-16  
(Date of Meeting)  
by JENKINS & KEMPER, CPAs, P.C.  
(Independent Auditor) *Michael Kemp*  
(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.

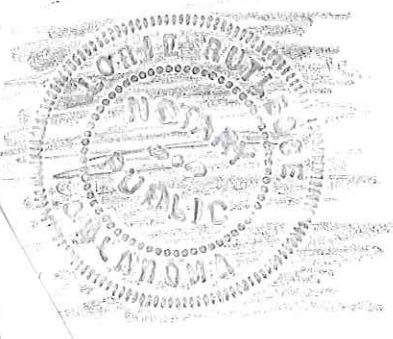
A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"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."

*[Signature]*  
Superintendent of Schools  
*Della Malone*  
Board of Education President

*[Signature]*  
Board of Education Vice President  
*Marie Atkins*  
Board of Education Member

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Board of Education Member  
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Board of Education Member  
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Board of Education Member



Subscribed and sworn before me on 2.12.16  
(Sworn On)  
*Marie Rutledge*  
(Notary Public)

My Commission expires 8.10.19



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

January 7, 2016

Shady Point Public Schools  
Attn: Mr. Bruce Gillham  
PO Box 1005  
Shady Point, OK 74956-1005

Dear Mr. Gillham:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments require a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

15-01 – Activity Fund Deposits

We observed during the audit three of the eight deposits during the month of November 2014 that appeared to have had collections between two and seven days prior to the deposit date. Discrepancies were as follows:

A deposit of \$697.26 made on 11/13/14 consisted of receipts dated as early as 11/11/14.  
A deposit of \$103 made on 11/20/14 consisted of receipts dated as early as 11/13/14.  
A deposit of \$705 made on 11/20/14 consisted of receipts dated as early as 11/17/14.

We recommend the Activity Fund custodian deposit collections on a daily basis unless the daily total does not exceed one hundred dollars (\$100), but at least once a week regardless, as required by the Oklahoma State Department of Education.

15-02 – Federal Program Expenditures

We observed during the audit four federal programs that did not have the correct amount of expenditures coded to the corresponding project codes. These expenditures were later corrected, but not until after final audit work was performed on 11/11/15 and the recommendation was made.

We recommend the District perform a reconciliation of federal revenues to expenditures to ensure the correct amount of federal expenditures is reported to the Oklahoma State Department of Education.

15-03 – Activity Fund Expenditures

We observed during the audit several instances of activity fund payments that did not have adequate documentation in the files to support the expenditures. The checks in question are as follows:

Check# 3473, 3507, 3511, 3516, 3517, 3524 and 3528

We recommend the Activity Fund custodian maintain adequate supporting documentation for all expenditures made out of the activity fund.

15-04 – Treasurer Reports

During preparation of the Estimate of Needs, it was observed that the Treasurer's report as of June 30, 2015 did not accurately reflect the District's fund balance. While it correctly reported cash at the bank, the fund balance was overstated by \$105,932. We encountered some difficulty in arriving at the final fund balance of \$83,614. Upon reviewing our working papers and various reports received from the District over a period of more than two months, the fund balance figure changed in large degrees multiple times beginning with a high of \$189,546 to a low of \$13,977 until finally settling at \$83,614. It also appeared the Treasurer did not always have the most recent and accurate expenditure data for which to calculate an ending fund balance.

We recommend that the Treasurer and Encumbrance Clerk of the District work to finalize these numbers in a more timely manner after the end of the fiscal year to allow for the budget preparer to accurately report the District's fund balance and to allow for the accurate reporting of financial information to the Board of Education.

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

Sincerely,

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper

Certified Public Accountants, P.C.