

**AUDIT REPORT**

**TENKILLER SCHOOL DISTRICT NO. CO66**

**WELLING, CHEROKEE COUNTY, OKLAHOMA**

**JULY 1, 2014 THROUGH JUNE 30, 2015**

**AUDITED BY**

**ALAN CHAPMAN**

**CERTIFIED PUBLIC ACCOUNTANT**

**401 S. Water Street**

**TAHLEQUAH, OKLAHOMA**

**TENKILLER SCHOOL DISTRICT CO66  
CHEROKEE COUNTY, OKLAHOMA  
JUNE 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Tenkiller School District CO66  
Welling, Cherokee County, Oklahoma

I have audited the accompanying combined financial statements - regulatory basis - of Tenkiller School District No. CO66, Cherokee County, Oklahoma as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2015.

**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 requirements 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**

My responsibility is to express an opinion 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 opinion on the 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, these combined financial statements are prepared on a regulatory basis of accounting conforming with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statement resulting from the use of their regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America although not reasonably determined, 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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Tenkiller School District No. CO66, Cherokee County, Oklahoma, as of June 30, 2015, 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 should be included in order to conform with accounting and financial reporting regulations prescribed or permitted 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 my opinion, except for the effects of the omission of the general fixed assets account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances - regulatory basis of the Tenkiller School District No. CO66, Cherokee County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, in accordance with 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 October 6, 2015, on my consideration of the Tenkiller School District No. CO66, 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*, and should be considered in assessing the results of my audit.

**Other Matters**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements - regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

October 6, 2015

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

Alan Chapman, CPA

**COMBINED FINANCIAL STATEMENTS**

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2015**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	Total (Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>Note 1) 2015</u>
<b><u>ASSETS</u></b>					
Cash and Investments	\$ 360,505.06	\$ 443,528.40	\$ 25,483.06	\$ -	\$ 829,516.52
Amount to be Provided for Capitalized Lease Agreements	-	-	-	716,591.66	716,591.66
Total Assets	<u>\$ 360,505.06</u>	<u>\$ 443,528.40</u>	<u>\$ 25,483.06</u>	<u>\$ 716,591.66</u>	<u>\$ 1,546,108.18</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Warrants Payable	\$ 36,546.51	\$ -	\$ -	\$ -	\$ 36,546.51
Encumbrances	-	-	-	-	-
Due to Others	-	-	25,483.06	-	25,483.06
Capitalized Lease Obligations Payable	-	-	-	716,591.66	716,591.66
Total Liabilities	<u>36,546.51</u>	<u>-</u>	<u>25,483.06</u>	<u>716,591.66</u>	<u>778,621.23</u>
Fund Balances:					
Undesignated	<u>323,958.55</u>	<u>443,528.40</u>	<u>-</u>	<u>-</u>	<u>767,486.95</u>
Total Fund Balances	<u>323,958.55</u>	<u>443,528.40</u>	<u>-</u>	<u>-</u>	<u>767,486.95</u>
Total Liabilities and Fund Balances	<u>\$ 360,505.06</u>	<u>\$ 443,528.40</u>	<u>\$ 25,483.06</u>	<u>\$ 716,591.66</u>	<u>\$ 1,546,108.18</u>

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



**TENKILLER SCHOOL DISTRICT NO. CO66**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2015**

	<u>Governmental Fund Types</u>		Total (Memorandum Only Note 1) 2015
	<u>General</u>	<u>Special Revenue</u>	
<b><u>REVENUES:</u></b>			
Local Sources	\$ 240,851.09	\$ 79,993.85	\$ 320,844.94
Intermediate Sources	123,017.93	-	123,017.93
State Sources	1,954,179.78	2,859.34	1,957,039.12
Federal Sources	<u>649,774.25</u>	<u>300,874.49</u>	<u>950,648.74</u>
Total Revenues Collected	<u>2,967,823.05</u>	<u>383,727.68</u>	<u>3,351,550.73</u>
<b><u>EXPENDITURES:</u></b>			
Instruction	1,570,697.22	-	1,570,697.22
Support Services	1,170,996.08	-	1,170,996.08
Non-Instructional Services	185,697.43	160,469.76	346,167.19
Capital Outlay	60,000.00	-	60,000.00
Other Outlays	<u>-</u>	<u>90,000.00</u>	<u>90,000.00</u>
Total Expenditures	<u>2,987,390.73</u>	<u>250,469.76</u>	<u>3,237,860.49</u>
Excess of Revenues Over (Under) Expenditures	<u>(19,567.68)</u>	<u>133,257.92</u>	<u>113,690.24</u>
Adjustments to Prior Year Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(19,567.68)</u>	<u>133,257.92</u>	<u>113,690.24</u>
Beginning Fund Balances	<u>343,526.23</u>	<u>310,270.48</u>	<u>653,796.71</u>
Ending Fund Balances	<u>\$ 323,958.55</u>	<u>\$ 443,528.40</u>	<u>\$ 767,486.95</u>

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**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, 2015**

	General Fund			Special Revenue Funds (Building, Child Nutrition and Only)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b><u>REVENUES COLLECTED:</u></b>						
Local sources	\$ -	-	\$ 240,851.09	\$ 42,184.17	\$ 42,184.17	\$ 79,993.85
Intermediate sources	179,282.72	179,282.72	123,017.93	21,244.65	21,244.65	-
State sources	1,785,715.86	1,785,715.86	1,954,179.78	2,688.98	2,688.98	2,859.34
Federal sources	101,244.65	101,244.65	649,774.25	153,421.35	153,421.35	300,874.49
Total revenues collected	<u>2,066,243.23</u>	<u>2,066,243.23</u>	<u>2,967,823.05</u>	<u>219,539.15</u>	<u>219,539.15</u>	<u>383,727.68</u>
<b><u>EXPENDITURES PAID:</u></b>						
Instruction	874,769.46	874,769.46	1,570,697.22	-	-	-
Support services	1,275,000.00	1,275,000.00	1,170,996.08	300,970.76	300,970.76	-
Non-instructional services	200,000.00	200,000.00	185,697.43	138,838.87	138,838.87	160,469.76
Capital outlays	60,000.00	60,000.00	60,000.00	-	-	-
Other outlays	-	-	-	90,000.00	90,000.00	90,000.00
Total expenditures paid	<u>2,409,769.46</u>	<u>2,409,769.46</u>	<u>2,987,390.73</u>	<u>529,809.63</u>	<u>529,809.63</u>	<u>250,469.76</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(343,526.23)</u>	<u>(343,526.23)</u>	<u>(19,567.68)</u>	<u>(310,270.48)</u>	<u>(310,270.48)</u>	<u>133,257.92</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(343,526.23)	(343,526.23)	(19,567.68)	(310,270.48)	(310,270.48)	133,257.92
Fund balance, beginning of year	<u>343,526.23</u>	<u>343,526.23</u>	<u>343,526.23</u>	<u>310,270.48</u>	<u>310,270.48</u>	<u>310,270.48</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,958.55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,528.40</u>

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

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

The financial statements of the Tenkiller School District No. CO66 (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 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.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**A. REPORTING ENTITY (continued)**

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 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 funding 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.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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.

The second Special Revenue Fund is the Child Nutrition Fund, a Special Revenue Fund used to account for monies derived from federal and state reimbursement and local food service collections.

**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 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 Debt Service Fund during the 2014-2015 school year.

**Capital Projects Fund** - The Capital Projects Fund is the District's Bond Fund which is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District did not maintain a Capital Projects Fund during the 2014-2015 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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**Fiduciary Fund Types (continued)**

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 include 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.

**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 Funds 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. Leases classified as capital in nature are also included in this account group.

**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 on 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.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**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.
- 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.



**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

The 2014-2015 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.

**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, 2015, 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** - 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.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

In accordance with the provisions of State of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been 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.

**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.

**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.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**State Revenues (continued)**

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

**Interfund Transactions** - Quasi-external transactions are accounted for a 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 residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2015.

**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 workers' 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.

**Subsequent Events** - Subsequent events have been evaluated through October 6, 2015, which is the date the financial statements were available to be issued.

**TENKILLER SCHOOL DISTRICT NO. CO66  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015, 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.

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2015.

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 4: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Project Code</u>	<u>CFDA #</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-14</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable At 6-30-15</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<b><u>Direct Programs:</u></b>							
Title VII Indian Education	561	84.060	\$ 40,334.00	\$ -	\$ 40,334.00	\$ 40,334.00	\$ -
Title VIII Impact Aid	591/592	84.041	306,534.08	-	306,534.08	194,590.78	(111,943.30)
Rural Education Achievement	588	84.358A	19,360.00	-	19,360.00	19,360.00	-
<b><u>Pass-through State Department of Education</u></b>							
REAP - Title II Part A	586	84.367	13,321.32	-	13,321.32	13,321.32	-
Total for Program (Cluster)			13,321.32	-	13,321.32	13,321.32	-
Title I Cluster							
Title I	511	84.010	87,921.80	-	87,921.80	87,921.80	-
Total for Program (Cluster)			87,921.80	-	87,921.80	87,921.80	-
Special Education Cluster							
IDEA - Part B Flow Through	621	84.027	64,379.42	-	64,379.42	64,379.42	-
IDEA - Part B Preschool	641	84.173	8,174.20	-	8,174.20	8,174.20	-
Total for Program (Cluster)			72,553.62	-	72,553.62	72,553.62	-
English Language Achievement Program	778	84.365C	204,142.00	-	212,021.75	204,142.00	(7,879.75)
Total U.S. Department of Education			744,166.82	-	752,046.57	632,223.52	(119,823.05)
<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	55,410.07	-	55,410.07	55,410.07	-
Fresh Fruit/Vegetable Program	768	10.582	14,461.56	-	14,461.56	14,461.56	-
National School Lunch Program:							
Cash assistance	763	10.555	119,059.56	-	119,059.56	119,059.56	-
Non-cash assistance: commodities	385	10.550	12,020.95	-	12,020.95	12,020.95	-
Total National School Lunch Program			131,080.51	-	131,080.51	131,080.51	-
Total for Program (Cluster)			200,952.14	-	200,952.14	200,952.14	-
<b><u>OTHER FEDERAL ASSISTANCE</u></b>							
Flood Control	770		895.99	-	895.99	895.99	-
Johnson O'Malley	563	15.130	8,775.00	-	8,774.99	8,775.00	0.01
<b>Total Federal Grants and Assistance</b>				<b>\$ -</b>	<b>\$ 962,669.69</b>	<b>\$ 842,846.65</b>	<b>\$ (119,823.04)</b>

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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.

General Long-Term Debt of the District consists of capital leases.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015.

	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Early Retirement Incentive</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
Balance, July 1, 2014	\$ 0.00	\$ 0.00	\$ 0.00	\$744,208.92	\$744,208.92
Additions	0.00	0.00	0.00	0.00	0.00
Retirements	0.00	0.00	0.00	(27,617.26)	(27,617.26)
Balance, June 30, 2015	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$716,591.66</u>	<u>\$716,591.66</u>

The District has entered into a lease agreement as lessee for financing the acquisition of a new gymnasium. The lease agreement qualifies as a capital lease for accounting purposes since the title transfers at the end of the lease term.

As disclosed in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the school buses or equipment in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the General Long-Term Debt Account Group.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30 is as follows:

<u>Year Ending June 30</u>	<u>Gymnasium</u>	<u>Copiers</u>	<u>Total</u>
2016	60,000.00	6,600.00	66,600.00
2017	<u>710,612.15</u>	<u>0.00</u>	<u>710,612.15</u>
Total minimum lease payments	770,612.15	6,600.00	777,212.15
Less: Amount representing interest	<u>(60,440.26)</u>	<u>(180.23)</u>	<u>(60,620.49)</u>
Present value of future minimum lease pmts	<u>\$ 710,171.89</u>	<u>\$ 6,419.77</u>	<u>\$716,591.66</u>

On May 19, 2015 the District also entered into an operating lease for the lease of 4 buses with Midwest Bus Sales, the district will pay \$16,000.00 per bus per year for a total of \$64,000.00 per year. This lease agreement does not qualify as a capital lease since there is no title transfer at the end of the lease term.

**TENKILLER SCHOOL DISTRICT NO. CO66  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 6: OTHER POST EMPLOYMENT BENEFITS**

The District does not offer any early retirement incentive plans.

**NOTE 7: EMPLOYMENT RETIREMENT SYSTEM**

The District participates in the state administered Oklahoma Teachers' 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, 2015. 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%.

**TENKILLER SCHOOL DISTRICT NO. CO66  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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, 2015. 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%.

The District's contributions to the System for the years ending June 30, 2015, 2014, and 2013 were \$278,708, \$277,451, and \$260,413, 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, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.



**TENKILLER SCHOOL DISTRICT NO. CO66**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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

Actuarial	Actuarial	Actuarial	Unfunded			UAAL as %
Valuation Date	Value of Assets(AVA)	Accrued Liability	Accrued Liability	Funder	Annual Covered Payroll(c)	of Covered Payroll
	(a)	(AAL)(b)	(UAAL)(b-a)	Ratio(a/b)		(b-a)/(c)
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
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%

**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 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.

**NOTE 9: INSURANCE COVERAGE**

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 as follows: The purchasing agent bond number 13368498 for the sum of \$14,000.00 dated 7/1/14-7/1/15, co custodian activity fund bond number 18276553 for the sum of \$25,000.00 dated 7/30/14-7/30/15, co custodian activity fund bond number 24801698 in the sum of \$25,000.00 dated 8/9/14-8/9/15, co custodian activity fund bond number 16124751 in the sum of \$8,500.00 dated 7/1/14-7/1/15, minutes and encumbrance clerk bond number 24801671 for the sum of \$2,000.00 dated 8/9/14-8/9/15, and the Superintendents bond number 70752111 dated 7/1/14-7/1/15 in the sum of \$100,000.00 all of which are with Western Surety Company. The treasurer for the District also had surety bond #69773654 in the amount of \$100,000, which is continuous since 2004 with Western Surety.

**COMBINING FINANCIAL STATEMENTS**

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2015**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 416,432.12	\$ 27,096.28	\$ 443,528.40
Total Assets	<u>\$ 416,432.12</u>	<u>\$ 27,096.28</u>	<u>\$ 443,528.40</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Warrants Payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Undesignated	416,432.12	27,096.28	443,528.40
Total Fund Balances	<u>416,432.12</u>	<u>27,096.28</u>	<u>443,528.40</u>
Total Liabilities and Fund Balances	<u>\$ 416,432.12</u>	<u>\$ 27,096.28</u>	<u>\$ 443,528.40</u>

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2015**

	Building Fund	Child Nutrition Fund	Total (Memorandum Only Note 1) 2015
<b><u>REVENUES:</u></b>			
Local Sources	\$ 24,732.26	\$ 55,261.59	\$ 79,993.85
Intermediate Sources	-	-	-
State Sources	30.45	2,828.89	2,859.34
Federal Sources	<u>111,943.30</u>	<u>188,931.19</u>	<u>300,874.49</u>
Total Revenues Collected	<u>136,706.01</u>	<u>247,021.67</u>	<u>383,727.68</u>
<b><u>EXPENDITURES:</u></b>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instructional Services	-	160,469.76	160,469.76
Capital Outlay	-	-	-
Other Outlays	<u>-</u>	<u>90,000.00</u>	<u>90,000.00</u>
Total Expenditures	<u>-</u>	<u>250,469.76</u>	<u>250,469.76</u>
Excess of Revenues Over (Under) Expenditures	<u>136,706.01</u>	<u>(3,448.09)</u>	<u>133,257.92</u>
Adjustments to Prior Year Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	136,706.01	(3,448.09)	133,257.92
Beginning Fund Balances	<u>279,726.11</u>	<u>30,544.37</u>	<u>310,270.48</u>
Ending Fund Balances	<u><u>\$ 416,432.12</u></u>	<u><u>\$ 27,096.28</u></u>	<u><u>\$ 443,528.40</u></u>

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**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, 2015**

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b><u>REVENUES COLLECTED:</u></b>						
Local sources	\$ -	\$ -	\$ 24,732.26	\$ 42,184.17	\$ 42,184.17	\$ 55,261.59
Intermediate sources	21,244.65	21,244.65	-	-	-	-
State sources	-	-	30.45	2,688.98	2,688.98	2,828.89
Federal sources	-	-	111,943.30	153,421.35	153,421.35	188,931.19
Total revenues collected	<u>21,244.65</u>	<u>21,244.65</u>	<u>136,706.01</u>	<u>198,294.50</u>	<u>198,294.50</u>	<u>247,021.67</u>
<b><u>EXPENDITURES PAID:</u></b>						
Instruction	-	-	-	-	-	-
Support services	300,970.76	300,970.76	-	-	-	-
Non-instructional services	-	-	-	138,838.87	138,838.87	160,469.76
Capital outlays	-	-	-	-	-	-
Other outlays	-	-	-	90,000.00	90,000.00	90,000.00
Total expenditures paid	<u>300,970.76</u>	<u>300,970.76</u>	<u>-</u>	<u>228,838.87</u>	<u>228,838.87</u>	<u>250,469.76</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(279,726.11)</u>	<u>(279,726.11)</u>	<u>136,706.01</u>	<u>(30,544.37)</u>	<u>(30,544.37)</u>	<u>(3,448.09)</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(279,726.11)</u>	<u>(279,726.11)</u>	<u>136,706.01</u>	<u>(30,544.37)</u>	<u>(30,544.37)</u>	<u>(3,448.09)</u>
Fund balance, beginning of year	<u>279,726.11</u>	<u>279,726.11</u>	<u>279,726.11</u>	<u>30,544.37</u>	<u>30,544.37</u>	<u>30,544.37</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,432.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,096.28</u>

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Agency Fund Activity Fund	Total 2015
<b><u>ASSETS</u></b>		
Cash and Investments	\$ 25,483.06	\$ 25,483.06
Total Assets	<u>\$ 25,483.06</u>	<u>\$ 25,483.06</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Due to Student Groups	\$ 25,483.06	\$ 25,483.06
Total Liabilities	<u>\$ 25,483.06</u>	<u>\$ 25,483.06</u>
Fund Balances:		
Unreserved:		
Undesignated	-	-
Total Fund Balances	-	-
Total Liabilities and Fund Balances	<u>\$ 25,483.06</u>	<u>\$ 25,483.06</u>

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

**TENKILLER SCHOOL DISTRICT NO. CO66**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Agency Funds		
	Balance July 1, 2014	Additions	Balance June 30, 2015
<b><u>ACTIVITIES</u></b>			
Student Activities	\$ 24,190.59	\$ 113,723.86	\$ 112,431.39
Total - All Agency Funds	<u>\$ 24,190.59</u>	<u>\$ 113,723.86</u>	<u>\$ 112,431.39</u>
<b><u>ASSETS</u></b>			
Cash	\$ 24,190.59	\$ 113,723.86	\$ 112,431.39
Total Assets	<u>\$ 24,190.59</u>	<u>\$ 113,723.86</u>	<u>\$ 112,431.39</u>
<b><u>LIABILITIES</u></b>			
Due to Student Groups	\$ 24,190.59	\$ 113,898.95	\$ 112,606.48
Total Liabilities	<u>\$ 24,190.59</u>	<u>\$ 113,898.95</u>	<u>\$ 112,606.48</u>

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

**TENKILLER SCHOOL DISTRICT NO. C066**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND**  
**JUNE 30, 2015**

	General Fund	Athletic Fund	Faculty Fund	Cheerleaders Fund	C.C.A.A. Fund	Student Council Fund	Library Fund	Eighth Grade Fund	Cub Scouts Fund	Cherokee Co. Science Fair Fund	Student Activity Fund	Total 2015
<b>ASSETS</b>												
Cash and Investments	\$ 5.41	\$ 12,735.12	\$ 28.60	\$ 699.90	\$ 4,361.28	\$ 935.59	\$ 4.79	\$ 50.99	\$ 224.39	\$ 5,544.52	\$ 892.47	\$ 25,483.06
<b>Total Assets</b>	<u>\$ 5.41</u>	<u>\$ 12,735.12</u>	<u>\$ 28.60</u>	<u>\$ 699.90</u>	<u>\$ 4,361.28</u>	<u>\$ 935.59</u>	<u>\$ 4.79</u>	<u>\$ 50.99</u>	<u>\$ 224.39</u>	<u>\$ 5,544.52</u>	<u>\$ 892.47</u>	<u>\$ 25,483.06</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Due to Others	\$ 5.41	\$ 12,735.12	\$ 28.60	\$ 699.90	\$ 4,361.28	\$ 935.59	\$ 4.79	\$ 50.99	\$ 224.39	\$ 5,544.52	\$ 892.47	\$ 25,483.06
<b>Total Liabilities</b>	<u>\$ 5.41</u>	<u>\$ 12,735.12</u>	<u>\$ 28.60</u>	<u>\$ 699.90</u>	<u>\$ 4,361.28</u>	<u>\$ 935.59</u>	<u>\$ 4.79</u>	<u>\$ 50.99</u>	<u>\$ 224.39</u>	<u>\$ 5,544.52</u>	<u>\$ 892.47</u>	<u>\$ 25,483.06</u>
Fund Balances:												
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5.41</u>	<u>\$ 12,735.12</u>	<u>\$ 28.60</u>	<u>\$ 699.90</u>	<u>\$ 4,361.28</u>	<u>\$ 935.59</u>	<u>\$ 4.79</u>	<u>\$ 50.99</u>	<u>\$ 224.39</u>	<u>\$ 5,544.52</u>	<u>\$ 892.47</u>	<u>\$ 25,483.06</u>

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



**TENKILLER SCHOOL DISTRICT NO. C066**  
**SCHEDULE OF FEDERAL AWARDS EXPENSED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Approved Amount</u>	<u>Balance at June 30, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2015</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<b><u>Direct Programs:</u> - Note 1</b>							
Title VII Indian Education	84.060	561	\$ 40,334.00	\$ -	\$ 40,334.00	\$ 40,334.00	\$ -
Title VIII Impact Aid	84.041	591/592	306,534.08	-	306,534.08	194,590.78	(111,943.30)
Rural Education Achievement	84.358A	588	19,360.00	-	19,360.00	19,360.00	-
<b><u>Pass-through State Department of Education</u> - Note 1</b>							
REAP - Title II Part A	84.367	586	13,321.32	-	13,321.32	13,321.32	-
Total for Program (Cluster)			13,321.32	-	13,321.32	13,321.32	-
Title I Cluster							
Title I	84.010	511	87,921.80	-	87,921.80	87,921.80	-
Total for Program (Cluster)			87,921.80	-	87,921.80	87,921.80	-
Special Education Cluster							
IDEA - Part B Flow Through	84.027	621	64,379.42	-	64,379.42	64,379.42	-
IDEA - Part B Preschool	84.173	641	8,174.20	-	8,174.20	8,174.20	-
Total for Program (Cluster)			72,553.62	-	72,553.62	72,553.62	-
English Language Achievement Program	84.365C	778	204,142.00	-	212,021.75	204,142.00	(7,879.75)
Total U.S. Department of Education			744,166.82	-	752,046.57	632,223.52	(119,823.05)
<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	10.553	764	55,410.07	-	55,410.07	55,410.07	-
Fresh Fruit/Vegetable Program	10.582	768	14,461.56	-	14,461.56	14,461.56	-
National School Lunch Program:							
Cash assistance	10.555	763	119,059.56	-	119,059.56	119,059.56	-
Non-cash assistance: commodities	10.550	385	12,020.95	-	12,020.95	12,020.95	-
Total National School Lunch Program			131,080.51	-	131,080.51	131,080.51	-
Total for Program (Cluster)			200,952.14	-	200,952.14	200,952.14	-
<b><u>OTHER FEDERAL PROGRAMS</u></b>							
Flood Control	-	563	895.99	-	895.99	895.99	-
Johnson O'Malley	15.130	563	8,775.00	-	8,774.99	8,775.00	0.01
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 954,789.95</b>	<b>\$ -</b>	<b>\$ 962,669.69</b>	<b>\$ 842,846.65</b>	<b>\$ (119,823.04)</b>

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.

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

The Honorable Board of Education  
Tenkiller School District No. CO66  
Cherokee County, Oklahoma

I have audited the accompanying fund type and account group financial statements regulatory basis of Tenkiller School District No. CO66, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2015, and have issued my report thereon dated October 6, 2015, which was adverse with regard to the application of accounting principles generally accepted in the United States of America because the entity prepares its financial statements on a statutory (regulatory) basis of accounting that conforms with the accounting practices prescribed by the Oklahoma State Department of Education and budget laws of the State of Oklahoma. In my report my opinion with regard to the prescribed basis of accounting was qualified for the omission of the general fixed asset account group. I conducted my 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.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my audit procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

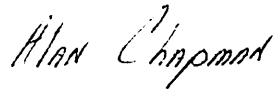
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tenkiller School District No. CO66's 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*.

This report is intended solely for the information and use of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

October 6, 2015

A handwritten signature in black ink that reads "Alan Chapman". The signature is written in a cursive, flowing style.

Alan Chapman, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Tenkiller School District, No. CO66  
Welling, Cherokee County, Oklahoma

**Compliance**

I have audited the compliance of Tenkiller School District No. CO66 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended June 30, 2015. Tenkiller School District No. CO66's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tenkiller School District No. CO66's management. My responsibility is to express an opinion on Tenkiller School District No. CO66's compliance based on my audit.

I have conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tenkiller School District No. CO66's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Tenkiller School District No. CO66's compliance with those requirements.

In my opinion, Tenkiller School District No. CO66 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2015.

**Internal Control Over Compliance**

The management of Tenkiller School District No. CO66 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we

considered the Tenkiller School District No. CO66's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tenkiller School District No. CO66's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

October 6, 2015

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

Alan Chapman, CPA

**TENKILLER SCHOOL DISTRICT NO. C066**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Project Code</u>	<u>Year</u>	<u>Federal CFDA Number</u>	<u>Amount of Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<b><u>Direct Programs:</u></b>				
Title VII Indian Education	561	6-30-15	84.060	\$ 40,334.00
Title VIII Impact Aid	591/592	6-30-15	84.041	\$ 194,590.78
Rural Education Achievement	588	6-30-15	84.358A	\$ 19,360.00
Pass-through State Department of Education				
REAP - Title II Part A	586	6-30-15	84.367	\$ 13,321.32
Total for Program (Cluster)				<u>\$ 13,321.32</u>
Title I Cluster				
Title I	511	6-30-15	84.010	\$ 87,921.80
Total for Program (Cluster)				<u>\$ 87,921.80</u>
Special Education Cluster				
IDEA - Part B Flow Through	621	6-30-15	84.027	\$ 64,379.42
IDEA - Part B Preschool	641	6-30-15	84.173	\$ 8,174.20
Total for Program (Cluster)				<u>\$ 72,553.62</u>
English Language Achievement Program	778	6-30-15	84.365C	\$ 204,142.00
Total U.S. Department of Education				<u>\$ 632,223.52</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-through State Department of Education				
Child Nutrition Cluster				
School Breakfast Program - cash assistance	764	6-30-15	10.553	\$ 55,410.07
Fresh Fruit/Vegetable Program	768	6-30-15	10.553	\$ 14,461.56
National School Lunch Program:				
Cash assistance	763	6-30-15	10.555	\$ 119,059.56
Non-cash assistance: commodities	385	6-30-15	10.550	\$ 12,020.95
Total National School Lunch Program				<u>\$ 131,080.51</u>
Total for Program (Cluster)				<u>\$ 200,952.14</u>
<b>OTHER FEDERAL ASSISTANCE</b>				
Flood Control	770	6-30-15	15.130	\$ 895.99
Johnson O'Malley	563	6-30-15	15.130	\$ 8,775.00
<b>Total Federal Grants and Assistance</b>				<u><b>\$ 842,846.65</b></u>

Note: There were no amounts passed to subrecipients.

Note: The expenditures are presented using the regulatory basis of accounting.

Note: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

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

**TENKILLER SCHOOL DISTRICT NO. CO66  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of Auditor's Report issued: I have audited the accompanying fund type and account group financial statements - regulatory basis - of Briggs School District No. CO44, Cherokee County, Oklahoma as listed in the table of contents, as of and for the year ended June 30, 2015. In my opinion letter, my report was adverse on U.S. Generally Accepted Accounting Principles because the school district prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is prescribed by the laws of the State of Oklahoma. Also my report was qualified with regard to the prescribed basis of accounting because of the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting:**

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED
Noncompliance material to financial statements noted?	NONE REPORTED

**Federal Awards**

**Internal Control Over Major Programs:**

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED

**Type of Auditor's Report Issued on Compliance for Major Programs:**

In conjunction with the audited combined financial statements-regulatory basis of Tenkiller School District No. CO66, Welling, Oklahoma, as of and for the year ended June 30, 2015, I have issued my unqualified report thereon dated October 6, 2015, on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	NONE REPORTED
--	---------------

**Identification of Major Programs:**

Title VII (84.060)	\$ 40,334.00
English Language (84.365C)	204,142.00
Impact Aid (84.041)	<u>194,590.78</u>
	<u>\$439,066.78</u>

The dollar threshold used to distinguish between type A and type B programs was \$500,000.00.

	<u>YES</u>	<u>NO</u>
Auditee qualified as low-risk auditee?		X

**Section II - Financial Statement Findings:**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs:**

No questioned costs were identified.



**TENKILLER SCHOOL DISTRICT NO. CO66  
STATEMENT OF PRIOR YEAR FINDINGS  
JUNE 30, 2015**

**PRIOR YEAR FINDINGS:**

There were no prior year findings.

**TENKILLER SCHOOL DISTRICT NO. CO66  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2014 TO JUNE 30, 2015**

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 Tenkiller School for the audit year 2014-2015.

Alan Chapman, C.P.A.

*Alan Chapman*

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

Subscribed and sworn to before me this 6 day of October, 2015.

*Lori Kimble*

Notary Public

My Commission Expires: 02/05/2018  
My Commission Number: 0-2002050



**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 TENKILLER SCHOOL

District Number CO66

County Name CHEROKEE

County Code \_\_\_\_\_

**Audit Year: 2014-2015**

The annual independent audit for the TENKILLER SCHOOL DISTRICT CO66

(District Name)

was presented to the Board of Education in an Open Board Meeting on Oct 12, 2015

(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."

*Randy Reintse*  
 Superintendent of Schools

\_\_\_\_\_  
 Board of Education President

*Daryl Rollins*  
 Board of Education Vice President

*Dan Mathews*  
 Board of Education Member

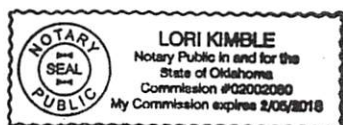
\_\_\_\_\_  
 Board of Education Member

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 Board of Education Member

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 Board of Education Member

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 Board of Education Member

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 Board of Education Member



Subscribed and sworn before me on Oct 12, 2015

My Commission expires Feb 5, 2018

(Sworn On)

*Lori Kimble*

(Notary Public)

A copy of the Board Agenda and Board Minutes where the audit was presented and approved must accompany the audit.