REPORT OF AUDIT

TONKAWA SCHOOL DISTRICT #I–87

KAY COUNTY – OKLAHOMA

JULY 1, 2013 TO JUNE 30, 2014

TONKAWA SCHOOL DISTRICT #I–87
KAY COUNTY – OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

OFFICERS

MARK CRANFORD	PRESIDENT
CARA BETH JOHNSON	VICE-PRESIDENT
NANCY APPLEMAN	CLERK
SANDY LINTON	MEMBER
MARY ALLAN	MEMBER
SARAH MACHIA	TREASURER
ROD REESE	SUPERINTENDENT

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TONKAWA SCHOOL DISTRICT #I–87
KAY COUNTY – OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

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TONKAWA SCHOOL DISTRICT #I–87
KAY COUNTY – OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Tonkawa School District #I–87
Kay County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Tonkawa School District #I-87, Kay County, Oklahoma, as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2014.

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 Oklahoma. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1 to the financial statement, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Tonkawa School District #I-87, Kay County, Oklahoma on the basis of the financial reporting prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2014, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

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

However, in my opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Tonkawa School District #I-87, Kay County, Oklahoma, as of June 30, 2014, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statement of the District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States 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 combined financial statements. This other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined 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 my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 26, 2015 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Chas. W. Carroll, P.A.
February 26, 2015

Tonkawa School District No.I-087, Kay County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2014

EXHIBIT A

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
ASSETS	**General**	**Special Revenue**	**Debt Service**	**Capital Projects**	**Trust and Agency**	**General Long-Term Debt**	**June 30, 2014**
Cash and Cash Equivalents	$ 123,054	$ 140,336	$ 53,811	$ 313,957	$ 72,359	$ 0	$ 703,516
Investments	683,487	0	0	0	0	0	683,487
Amounts Available in Debt Service Fund	0	0	0	0	0	53,811	53,811
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	461,189	461,189
Total Assets	$ 806,541	$ 140,336	$ 53,811	$ 313,957	$ 72,359	$ 515,000	$ 1,902,003
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants/Checks Payable	$ 277,086	$ 8,393	$ 0	$ 0	$ 12,146	$ 0	$ 297,625
Reserve for Encumbrances	4,831	1,901	0	0	0	0	6,732
Due to Activity Groups	0	0	0	0	60,213	0	60,213
General Obligation Bonds Payable	0	0	0	0	0	515,000	515,000
Capitalized Lease Obligations Payable	0	0	0	0	0	0	0
Total Liabilities	$ 281,917	$ 10,294	$ 0	$ 0	$ 72,359	$ 515,000	$ 879,570
Fund Balances:							
Restricted For:							
Debt Service	$ 0	$ 0	$ 53,811	$ 0	$ 0	$ 0	$ 53,811
Capital Projects	0	0	0	313,957	0	0	313,957
Building Programs	0	54,227	0	0	0	0	54,227
Child Nutrion Programs	0	75,815	0	0	0	0	75,815
Unassigned	524,625	0	0	0	0	0	524,625
Total Fund Balances	$ 524,625	$ 130,041	$ 53,811	$ 313,957	$ 0	$ 0	$ 1,022,433
Total Liabilities and Fund Balances	$ 806,541	$ 140,336	$ 53,811	$ 313,957	$ 72,359	$ 515,000	$ 1,902,003

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2014

EXHIBIT B

	Governmental Fund Types				Totals (Memorandum Only)
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**June 30, 2014**
Revenue Collected:					
Local Sources	$ 851,013	$ 183,262	$ 496,119	$ 0	$ 1,530,393
Intermediate Sources	139,719	0	0	0	139,719
State Sources	3,338,473	5,656	352	0	3,344,481
Federal Sources	569,321	246,596	0	0	815,917
Non-Revenue Receipts	41	0	0	0	41
Total Revenue Collected	$ 4,898,567	$ 435,513	$ 496,470	$ 0	$ 5,830,551
Expenditures Paid:					
Instruction	$ 2,967,253	$ 0	$ 0	$ 0	$ 2,967,253
Support Services	1,907,767	176,992	0	390,000	2,474,759
Operation of Non-Instructional Services	87,533	315,307	0	0	402,840
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	570	0	0	0	570
Debt Service:					
Principal Retirement	0	0	505,000	0	505,000
Interest and Fiscal Agent Fees	0	0	10,195	0	10,195
Total Expenditures Paid	$ 4,963,124	$ 492,300	$ 515,195	$ 390,000	$ 6,360,618
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	$ (64,557)	$ (56,786)	$ (18,725)	$ (390,000)	$ (530,067)
Adjustments to Prior Year Encumbrances	$ 285	$ 189	$ 0	$ 0	$ 474
Other Financing Sources (Uses):					
Estopped Warrants	$ 998	$ 0	$ 0	$ 8,008	$ 9,006
Bond Proceeds	0	0	0	390,000	390,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	$ 998	$ 0	$ 0	$ 398,008	$ 399,006
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	$ (63,273)	$ (56,597)	$ (18,725)	$ 8,008	$ (130,587)
Fund Balance - Beginning of Year	587,898	186,638	72,535	305,949	1,153,021
Fund Balance - End of Year	$ 524,625	$ 130,041	$ 53,811	$ 313,957	$ 1,022,433

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2014

EXHIBIT C

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	$ 652,563	$ 652,563	$ 851,013	$ 148,756	$ 148,756	$ 183,262	$ 473,873	$ 473,873	$ 496,470
Intermediate Sources	131,077	131,077	139,719	0	0	0	0	0	0
State Sources	3,240,024	3,240,024	3,338,473	4,777	4,777	5,656	0	0	0
Federal Sources	358,039	358,039	569,321	215,407	215,407	246,596	0	0	0
Non-Revenue Receipts	0	0	41	0	0	0	0	0	0
Total Revenue Collected	$ 4,381,703	$ 4,381,703	$ 4,898,567	$ 368,941	$ 368,941	$ 435,513	$ 473,873	$ 473,873	$ 496,470
Expenditures Paid:									
Instruction	$ 4,969,601	$ 4,969,601	$ 2,967,253	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Support Services	0	0	1,907,767	199,924	199,924	176,992	0	0	0
Operation of Non-Instructional Services	0	0	87,533	355,655	355,655	315,307	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	546,409	546,409	515,195
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	570	0	0	0	0	0	0
Total Expenditures Paid	$ 4,969,601	$ 4,969,601	$ 4,963,124	$ 555,579	$ 555,579	$ 492,300	$ 546,409	$ 546,409	$ 515,195
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	$ (587,898)	$ (587,898)	$ (64,557)	$ (186,638)	$ (186,638)	$ (56,786)	$ (72,535)	$ (72,535)	$ (18,725)
Adjustments to Prior Year Encumbrances	$ 0	$ 0	$ 285	$ 0	$ 0	$ 189	$ 0	$ 0	$ 0
Other Financing Sources (Uses):									
Estopped Warrants	$ 0	$ 0	$ 998	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 998	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	$ (587,898)	$ (587,898)	$ (63,273)	$ (186,638)	$ (186,638)	$ (56,597)	$ (72,535)	$ (72,535)	$ (18,725)
Fund Balance - Beginning of Year	587,898	587,898	587,898	186,638	186,638	186,638	72,535	72,535	72,535
Fund Balance - End of Year	$ 0	$ 0	$ 524,625	$ 0	$ 0	$ 130,041	$ 0	$ 0	$ 53,811

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

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Tonkawa School District #I-87 have been prepared in conformity with an other comprehensive basis of accounting required by Oklahoma Statutes. 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 oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

B. 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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

B. Fund Accounting (continued)

Fund Description

The following funds are utilized by the Tonkawa School District #I-87.

Governmental Fund Types -	Fiduciary Fund Types –
General Fund	Trust and Agency Fund
Special Revenue Funds	
Debt Service Fund	
Capital Project Fund	

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 ear-marked 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 which includes the Child Nutrition Program.

Special Revenue Funds – The Special Revenue Funds are the District's Building Fund and Child Nutrition 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 Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with the daily operations of the District's nutrition program.

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.

Capital Project Funds – The Capital Project Funds are the District's Bond Funds and are 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.

Fiduciary Fund Types

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

Trust Fund – The Trust Fund is the Gift Fund. These funds are used to account for money derived from donations. Expenditures are made for the purchase of equipment and capital improvements.

Agency Fund – The Agency Fund is the school Activity 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, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

Memorandum Only – Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, 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 (OSDE). 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 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.

C. Basis of Accounting and Presentation (continued)

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.

A budget is legally adopted by the Board of Education for the General Fund, Special Revenue Funds, and Debt Service Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

The value of consumable inventories at June 30, 2014 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The District has elected not to present a liability for compensated absences.

E. Assets, Liabilities and Fund Equity

Operating Leases

The District has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the District does not consider the obligation to be for a period extending beyond the current fiscal year.

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.

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

a.) A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2014 is set forth below:

$470,000.00 Building Bonds of 2010

Payment Date	Principal	Rate	Interest	Total
1 Dec 14	$ 0.00		$ 1,281.25	$ 1,281.25
1 Jun 15	125,000.00	2.05%	1,281.25	126,281.25
	$ 125,000.00		$ 2,562.50	$ 127,562.50

$390,000.00 General Obligation Building Bonds of August 2013

Payment Date	Principal	Rate	Interest	Total
1 Feb 15	$ 0.00		$ 2,730.00	$ 2,730.00
1 Aug 15	390,000.00	0.700%	2,730.00	392,730.00
	$ 390,000.00		$ 5,460.00	$ 394,560.00

b.) The Kay County Public Buildings Authority and the District have entered into a fully paid ground lease dated September 1, 2012 (the "Ground Lease"), whereby the District has leased to the Authority certain real property together with all improvements thereon and to be placed thereon for a term extending to September 1, 2022 and so long thereafter as any indebtedness of the Authority secured by its leasehold

General Long-Term Debt (continued)

therein remains outstanding and unpaid. The Authority has sub-leased the property covered by the Ground Lease to the District by a sub-lease dated September 1, 2012 (the "Sublease") which extends to June 30, 2013, and is renewable for successive on (1) year terms thereafter at the option of the District until the Series 2012 Bonds are paid. Failure to renew the Sublease will terminate the Sublease and all further options of the District to renew it.

The voters of the District have approved the issuance of Educational Facilities Lease Revenue Bonds for constructing, acquiring and improving school sites, and acquiring school furniture, fixtures and equipment in the total amount of $4,340,000.00. Those School District Educational Facilities Lease Revenue Bonds will be issued in series over the life of the Authority's Series 2012 Bonds in amounts necessary to pay the maturing principal of the Authority's Series 2012 Bonds and will be utilized for that purpose by payment of the proceeds thereof as received to the Trustee Bank as rentals under the Sublease.

Upon the payment in full of the Series 2012 Bonds, the Sublease and the Ground Lease both will expire and possession of and title to the Improvements will be vested in the District.

A repayment schedule of the outstanding capital lease obligations at June 30, 2014 is set forth below:

Schedule of Semi-Annual Rent & Acquisition Payments

Payment Date	Regular Payment	Irregular Payments	Total Payment Due
1 Sep 14	$ 1,500.00	$ 474,900.00	$ 476,400.00
1 Mar 15	1,500.00	0.00	1,500.00
1 Sep 15	1,500.00	484,800.00	486,300.00
1 Mar 16	1,500.00	0.00	1,500.00
1 Sep 16	1,500.00	489,750.00	491,250.00
1 Mar 17	1,500.00	0.00	1,500.00
1 Sep 17	1,500.00	499,650.00	501,150.00
1 Mar 18	1,500.00	0.00	1,500.00
1 Sep 18	1,500.00	509,550.00	511,050.00
1 Mar 19	1,500.00	0.00	1,500.00
1 Sep 19	1,500.00	519,450.00	520,950.00
1 Mar 20	1,500.00	0.00	1,500.00
1 Sep 20	1,500.00	529,350.00	530,850.00
1 Mar 21	1,500.00	0.00	1,500.00
1 Sep 21	1,500.00	539,250.00	540,750.00
1 Mar 22	1,500.00	0.00	1,500.00
1 Sep 22	1,500.00	549,150.00	550,650.00
	$ 25,500.00	$ 4,595,850.00	$ 4,621,350.00

Cash Fund Balance

Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by the United States Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The District Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance.
(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
(C) Uncollateralized.

	Category			
	(A)	(B)	(C)	BANK BALANCE
Cash/Investments	$ 572,358.86	$ 814,644.26	$ 0.00	$1,387,003.12

F. Revenue, Expenses and Expenditures

State Revenues

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked 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 program. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Property Tax Revenue

The District is authorized by state law to levy property taxes which consists 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 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 the taxes are due prior to January 1. The second half is due prior to April 1.

Property Tax Revenue (continued)

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.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Government Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

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

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling risks amount the participants of that pool In accordance with professional standards, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the District's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public School Unemployment Compensation Program. In this program, the District is required to make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

Surety Bonds

Sarah Fiscus, District Treasurer, is bonded with the Western Surety Company, in the amount of $100,000.00. The bond number is 71107132, dated July 1, 2013 to July 1, 2014.

Rod Reese, Superintendent, is bonded with the Western Surety Company, in the amount of $100,000.00. The bond number is 70760958, dated July 20, 2013 to July 20, 2014.

The District maintains a Position Schedule Bond with the Western Surety Company in the amount of $17,000.00. The bond number is 03044217, dated July 16, 2013 to July 16, 2014. The positions covered are as follows:

1. High School Principal	$2,000.00
2. High School Secretary	2,000.00
3. Activity Fund Custodian	2,000.00
4. Secretary/Bookkeeper	2,000.00
5. Lunch Fund Custodian	2,000.00
6. Encumbrance Clerk	1,000.00
7. Minutes Clerk	1,000.00
8. Student Activity Fund/Student Lunch Fund	2,000.00 each
9. Board Clerk	1,000.00

3. Employee 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.

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

A Participant with 5 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 three earning years of contributory service multiplied by the number of years of 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 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.

3. Employee Retirement System (continued)

The 2013-14 contribution rates for the Districts, which are not actuarially 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, 2014. An additional 8.25% of compensation is required for federal grants. 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 member is 7% up to a maximum compensation level.

The total contributions for employees of Tonkawa School District #I-87 covered by the System for the year 2014, 2013 and 2012 were $487,317.90, $466,013.78 and $459,871.39, 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 the 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 non-funded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2013, is as follows:

Total pension obligation	$ 18,973,166,739
Net assets available for benefits, at cost	10,861,057,537
Non-funded pension benefit obligation	$ 8,112,109,202

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teachers Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

4. 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.

5. Subsequent Events

Management has evaluated subsequent events through February 26, 2015, which is the date the financial statements were available to be issued.

Tonkawa School District No.I-087, Kay County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2014

SCHEDULE A-1

ASSETS	**Building Fund**	**Child Nutrition Fund**	**Total June 30, 2014**
Cash and Cash Equivalents	$ 54,292	$ 86,044	$ 140,336
Investments	0	0	0
Total Assets	$ 54,292	$ 86,044	$ 140,336
LIABILITIES AND FUND BALANCE			
Liabilities:			
Warrants Payable	$ 65	$ 8,328	$ 8,393
Reserve for Encumbrances	0	1,901	1,901
Total Liabilities	$ 65	$ 10,229	$ 10,294
Fund Balances:			
Restricted	$ 54,227	$ 75,815	$ 130,041
Total Fund Balances	$ 54,227	$ 75,815	$ 130,041
Total Liabilities and Fund Balances	$ 54,292	$ 86,044	$ 140,336

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - Capital Project Funds
For the Year Ending June 30, 2014

SCHEDULE A-2

ASSETS	**Transport Bond Fund**	**Building Bond Fund**	**Total June 30, 2014**
Cash and Cash Equivalents	$ 2,213	$ 311,744	$ 313,957
Investments	0	0	0
Total Assets	$ 2,213	$ 311,744	$ 313,957
LIABILITIES AND FUND BALANCE			
Liabilities:			
Warrants Payable	$ 0	$ 0	$ 0
Reserve for Encumbrances	0	0	0
Total Liabilities	$ 0	$ 0	$ 0
Fund Balances:			
Restricted	$ 2,213	$ 311,744	$ 313,957
Total Fund Balances	$ 2,213	$ 311,744	$ 313,957
Total Liabilities and Fund Balances	$ 2,213	$ 311,744	$ 313,957

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2014

SCHEDULE B-1

	Building Fund	Child Nutrition Fund	Total June 30, 2014
Revenue Collected:			
Local Sources	$ 123,987	$ 59,274	$ 183,262
Intermediate Sources	0	0	0
State Sources	76	5,581	5,656
Federal Sources	0	246,596	246,596
Non-Revenue Receipts	0	0	0
Total Revenue Collected	$ 124,063	$ 311,451	$ 435,513
Expenditures Paid:			
Instruction	$ 0	$ 0	$ 0
Support Services	176,992	0	176,992
Operation of Non-Instructional Services	0	315,307	315,307
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
Total Expenditures Paid	$ 176,992	$ 315,307	$ 492,300
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	$ (52,929)	$ (3,857)	$ (56,786)
Adjustments to Prior Year Encumbrances	$ 0	$ 189	$ 189
Other Financing Sources (Uses):			
Estopped Warrants	$ 0	$ 0	$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	$ (52,929)	$ (3,668)	$ (56,597)
Fund Balance - Beginning of Year	107,156	79,482	186,638
Fund Balance - End of Year	$ 54,227	$ 75,815	$ 130,041

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Capotal Project Funds
For the Year Ending June 30, 2014

SCHEDULE B-2

	Transport. Bond Fund	Building Bond Fund	Total June 30, 2014
Revenue Collected:			
Local Sources	$ 0	$ 0	$ 0
Intermediate Sources	0	0	0
State Sources	0	0	0
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
Total Revenue Collected	$ 0	$ 0	$ 0
Expenditures Paid:			
Instruction	$ 0	$ 0	$ 0
Support Services	0	0	0
Operation of Non-Instructional Services	0	390,000	390,000
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
Total Expenditures Paid	$ 0	$ 390,000	$ 390,000
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	$ 0	$ (390,000)	$ (390,000)
Adjustments to Prior Year Encumbrances	$ 0	$ 0	$ 0
Other Financing Sources (Uses):			
Estopped Warrants	$ 1,008	$ 7,000	$ 8,008
Sale of Bonds	0	390,000	390,000
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	$ 1,008	$ 397,000	$ 398,008
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	$ 1,008	$ 7,000	$ 8,008
Fund Balance - Beginning of Year	1,206	304,744	305,949
Fund Balance - End of Year	$ 2,213	$ 311,744	$ 313,957

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

Tonkawa School District No.I-087, Kay County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2014

SCHEDULE C-1

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	$ 92,768	$ 92,768	$ 123,987	$ 55,988	$ 55,988	$ 59,274	$ 148,756	$ 148,756	$ 183,262
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	76	4,777	4,777	5,581	4,777	4,777	5,656
Federal Sources	0	0	0	215,407	215,407	246,596	215,407	215,407	246,596
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
Total Revenue Collected	$ 92,768	$ 92,768	$ 124,063	$ 276,173	$ 276,173	$ 311,451	$ 368,941	$ 368,941	$ 435,513
Expenditures Paid:									
Instruction	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Support Services	199,924	199,924	176,992	0	0	0	199,924	199,924	176,992
Operation of Non-Instructional Services	0	0	0	355,655	355,655	315,307	355,655	355,655	315,307
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	$ 199,924	$ 199,924	$ 176,992	$ 355,655	$ 355,655	$ 315,307	$ 555,579	$ 555,579	$ 492,300
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	$ (107,156)	$ (107,156)	$ (52,929)	$ (79,482)	$ (79,482)	$ (3,857)	$ (186,638)	$ (186,638)	$ (56,786)
Adjustments to Prior Year Encumbrances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 189	$ 0	$ 0	$ 189
Other Financing Sources (Uses):									
Estopped Warrants	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	$ (107,156)	$ (107,156)	$ (52,929)	$ (79,482)	$ (79,482)	$ (3,668)	$ (186,638)	$ (186,638)	$ (56,597)
Fund Balance - Beginning of Year	107,156	107,156	107,156	79,482	79,482	79,482	186,638	186,638	186,638
Fund Balance - End of Year	$ 0	$ 0	$ 54,227	$ 0	$ 0	$ 75,815	$ 0	$ 0	$ 130,041

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

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALLOCATIONS & EXPENDITURES
07/01/13 TO 06/30/14

SCHEDULE 1-00

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2013	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2014
U.S Department of Education - Direct Programs							
Title VII Indian Ed	84.060	561	$32,904.00	$0.00	$32,904.00	$32,904.00	$0.00
PL 874 Impact Aid	84.041	591/592	191,795.79	(318,197.43)	191,795.79	509,993.22	0.00
State Department of Education -							
Title I	84.010	511	151,241.50	0.00	151,241.50	151,241.50	0.00
Title II, Part A	84.367	541	37,515.02	0.00	32,577.41	32,577.41	0.00
Title VI, Part B	84.358	587	24,118.32	0.00	24,118.32	24,118.32	0.00
IDEA-B Flow Through	84.027	621	132,057.94	0.00	132,057.94	132,057.94	0.00
IDEA-B Preschool	84.173	641	3,197.02	0.00	3,197.02	3,197.02	0.00
Special Education Cluster				0.00	135,254.96	135,254.96	0.00
Oklahoma Health Care Authority -							
Medicaid Resources	93.778	698	6,843.81	(6,088.42)	1,429.23	1,394.32	(6,123.33)

CONTINUED ON PAGE 2

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALLOCATIONS & EXPENDITURES
07/01/13 TO 06/30/14

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2013	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2014
U.S. Department of Agriculture -							
Child Nutrition Cluster:							
National School Lunch Program	10.555	763	179,031.65	(3,218.00)	179,031.65	179,031.65	(3,218.00)
School Breakfast Program	10.553	764	58,259.39	0.00	53,597.92	53,597.92	0.00
Summer Food Service	10.559	766	11,565.79	6,068.37	13,965.97	13,965.97	6,068.37
Total Cash Assistance				2,850.37	246,595.54	246,595.54	2,850.37
Commodity Distribution (Non-Cash)	10.550	N/A	17,163.86	0.00	17,163.86	17,163.86	0.00
Total Child Nutrition Program				2,850.37	263,759.40	263,759.40	2,850.37
TOTAL FEDERAL FINANCIAL ASSISTANCE				($321,435.48)	$833,080.61	$1,151,243.13	($3,272.96)

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition Cluster for commodities represents a nonmonetary value of the food commodities received. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount.

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

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND BALANCES
07/01/13 TO 06/30/14

SCHEDULE 2-00

ACCOUNT	07/01/13	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/14
ATHLETICS	$1,366.30	$83,599.74	$0.00	$703.31	$78,191.80	$7,477.55
ANNUAL	1,504.05	7,013.00			8,235.28	281.77
BAND	1,423.13	10,498.63			9,272.33	2,649.43
BANQUET	61.22	0.00			0.00	61.22
CLEARING ACCOUNT	13.00	27.66			40.66	0.00
CROSS COUNTRY	4,345.42	0.00			4,243.37	102.05
TRACK	1,200.40	4,337.92			4,127.15	1,411.17
ELEMENTARY LIBRARY	841.46	57.00			0.00	898.46
ELEMENTARY	7,544.52	21,380.93			19,774.22	9,151.23
FFA	4,770.85	60,997.03			64,392.03	1,375.85
ART	857.49	3,409.74			1,890.48	2,376.75
HS CHEERLEADERS	2,378.80	12,574.38			11,913.04	3,040.14
NATIVE AMERICAN CLUB	619.37	0.00			0.00	619.37
NATIONAL HONOR SOCIETY	195.36	0.00			40.61	154.75
HS STUDENT COUNCIL	2,158.46	3,758.00			3,006.16	2,910.30
LIBRARY	2,145.05	11,543.86			4,765.23	8,923.68
VOCAL	1,483.39	518.75			1,557.80	444.34
MISCELLANEOUS	122.51	234.30			293.41	63.40
MIDDLE SCHOOL TECH CLUB	2,639.30	0.00			0.00	2,639.30
MS STUDENT COUNCIL	2,975.04	746.25			1,856.57	1,864.72
BASKETBALL	1,958.75	1,598.99			3,458.20	99.54
WRESTLING	82.15	1,000.00			0.00	1,082.15
HS TECH CLUB	8.24	0.00			0.00	8.24
FCCLA	493.85	2,538.19			2,482.20	549.84
EXTENDED STUDIES	21,914.68	23,605.76			42,299.34	3,221.10
HUMANITARIAN CLUB	1,363.37	50.00			172.14	1,241.23
CLASS OF 2017	16.00	125.00			0.00	141.00
CLASS OF 2018	0.00	95.00			0.00	95.00
CLASS OF 2013	1,130.98	0.00			0.00	1,130.98
CLASS OF 2014	2,285.74	0.00			470.94	1,814.80

CONTINUED ON PAGE 2

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND BALANCES
07/01/13 TO 06/30/14

ACCOUNT	07/01/13	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/14
CLASS OF 2015	415.00	10,350.73	0.00	(703.31)	6,130.42	3,932.00
HELPING HANDS FROM HEAVEN	977.29	0.00			525.85	451.44
TOTALS	$69,291.17	$260,060.86	$0.00	$0.00	$269,139.23	$60,212.80

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

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
RECONCILIATION STATEMENT
07/01/13 TO 06/30/14

SCHEDULE 2-01

DEPOSITORY	DETAIL	TOTALS
CASH	72,358.86	
TOTAL DEPOSITORY		$72,358.86

FUND		
LEDGER BALANCE	60,212.80	
ADD: 2013-14 OUTSTANDING	12,048.12	
2012-13 OUTSTANDING	97.94	
TOTAL DEPOSITORY		$72,358.86

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

TONKAWA SCHOOL DISTRICT #I-87
KAY COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
CASH STATEMENT
07/01/13 TO 06/30/14

SCHEDULE 2-02

	TOTAL	2013-14	2012-13	2011-12	PRIOR	INVESTMENTS
BEGINNING CASH AND INVESTMENTS	$73,086.17	$69,291.17	$3,795.00	$0.00	$0.00	$0.00
REVENUES						
DEPOSITS	259,930.35	259,930.35				
INTEREST	130.51	130.51				
REDEPOSITS	125.00	125.00				
CHECKS ESTOPPED	0.00	0.00				
TOTAL REVENUES	260,185.86	260,185.86	0.00	0.00	0.00	0.00
EXPENDITURES						
CHECKS PAID	260,483.17	256,786.11	3,697.06			
CK PRNT CHGS/SRVC FEE	0.00	0.00				
RET CKS/RET CK CHGS	430.00	430.00				
TOTAL EXPENDITURES	260,913.17	257,216.11	3,697.06	0.00	0.00	0.00
ENDING BALANCES	$72,358.86	$72,260.92	$97.94	$0.00	$0.00	$0.00

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

TONKAWA SCHOOL DISTRICT #I-87 SCHEDULE 3-00
KAY COUNTY – OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

STATE OF OKLAHOMA)
)
COUNTY OF GARFIELD)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in Full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Tonkawa School District #I-87, Kay County, Oklahoma, for the audit year 2013-14.

Chas. W. Carroll, P.A.
Auditing Firm

By: Chas W. Carroll, CPA

Subscribed and sworn to before me this 24th day of February, 2015.

PAM S. MELVIN NOTARY PUBLIC #00000728 EXP. 01/29/2016 IN AND FOR STATE OF OKLAHOMA GARFIELD COUNTY

Pam Melvin
Notary Public

My Commission expires January 29, 2016

Chas. W. Carroll, P.A.

Hiland Tower – Suite 406
302 N. Independence

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

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
Tonkawa School District #I-87
Kay County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements, regulatory basis, of Tonkawa School District #I-87, Kay County, Oklahoma, as listed in the Table of Contents as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collective comprise the District's combined financial statements and have issued my report thereon dated February 26, 2015. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 14-01, that I consider to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. I did not audit the District's response and, accordingly I express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chas. W. Carroll, P.A.
February 26, 2015

Chas. W. Carroll, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Board of Education
Tonkawa School District #I-87
Kay County, Oklahoma

Report on Compliance for Each Major Federal Program
I have audited Tonkawa School District #I-87, Kay County, Oklahoma compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I 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 the District'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 on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
In my opinion, Tonkawa School District #I-87 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 material weaknesses or significant deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chas. W. Carroll, P.A.

Chas. W. Carroll, P.A.
February 26, 2015

TONKAWA ISD NO. 87, KAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION 1 Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued	Adverse (Due to F/S being prepared on a regulatory basis of accounting.)
2. Internal Control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be a material weakness?	None reported
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(A)?	No
4. Identification of major programs:	
Name of Federal Program	
Title VII Indian Education	
Title I Program	
IDEA-B Special Education Cluster	
Child Nutrition Program Cluster	
5. Dollar Threshold used to distinguish between Type A and Type B programs:	$300,000
6. Auditee qualified as a low-risk auditee under OMB A-133, Section 530?	No

SECTION 2

Financial Statement Findings:

Section 1 – Summary of Auditors Results

14-01 Finding

Statement of Condition – Compensation was paid by the District from federal PL 874 Impact Aid funds but the required match for teachers retirement was not made.

Section 1 – Summary of Auditors Results (continued) Page 2

14-01 Finding

Criteria – The District is required to pay into the Teacher Retirement System 8.25% of compensation arising from federal grants.

Cause/Effect of Condition – Lack of understanding of federal programs and payroll requirements allowed for incorrect contributions.

Recommendation – The District should follow state and federal program requirements and contact the Oklahoma Teacher Retirement system for corrective actions.

Major Federal Award Programs Findings and Questioned Costs:

None Reported

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2014

13-01 Finding

Statement of Condition – The District reported expenditures for federal programs through the Oklahoma Cost Accounting System (OCAS), that did not have federally allocated funds, exceeded allocations or failed to claim reimbursement during the 2012-13 fiscal year.

Criteria – Good internal control requires procedures to be in place for effective oversight and to properly record and track federal program expenditures and revenues.

Cause/Effect of Condition – Lack of internal control allows for non-compliance with expenditure tracking and over statements in reporting to State and Federal Agencies.

Recommendation – All federal program funding is to be tracked utilizing the prescribed OCAS expenditure and revenue project code numbers.

Current Status – This finding was corrected during the current year.

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".

TONKAWA PUBLIC SCHOOLS

Lori Simpson, Superintendent
500 East North Avenue
Tonkawa, OK 74653
Phone: 580-628-3597 Fax: 580-628-5132

TONKAWA MIDDLE AND SENIOR HIGH
Kyle Simpson, Principal, Athletic Director

TONKAWA ELEMENTARY
Kelly Martin, Principal

To: Oklahoma State Department of Education

From: Lori Simpson, Superintendent

Tonkawa Public Schools

Date: March 5, 2015

Re: Response to Audit Findings

14-01 Finding

The Tonkawa School District has taken corrective action to address the finding. The treasurer will gain a better understanding of federal programs and payroll requirements. The District will improve internal control through a heightened awareness of required matches for teacher retirement.

Follow up:

Jona Cantrell, the district treasurer, is responsible for district compliance with federal program requirements concerning teacher retirement contributions. Compensation was paid by the District from federal PL 874 Impact Aid funds but the required match for teacher's retirement was not made. Contact was made with the Oklahoma Teacher Retirement System, and the required match owed was submitted by the district in February following the audit. In the future, the District will more thoroughly monitor teacher retirement matches in the federal program payroll.