

REPORT OF AUDIT  
UNION CITY SCHOOL DISTRICT #1-57  
CANADIAN COUNTY - OKLAHOMA  
JULY 1, 2016 TO JUNE 30, 2017

**UNION CITY SCHOOL DISTRICT NO. I-57**  
CANADIAN COUNTY, OKLAHOMA  
JUNE 30, 2017

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UNION CITY SCHOOL DISTRICT NO. I-057, CANADIAN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2017

**BOARD OF EDUCATION**

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Vice President	Jon Nelson
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**SUPERINTENDENT OF SCHOOLS**

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**ENCUMBRANCE CLERK**

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**SCHOOL DISTRICT TREASURER**

Darrel Johnston

# Chas. W. Carroll, P.A.

302 N. Independence  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Union City School District #I-57  
Canadian County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Union City School District #I-57, Canadian County, Oklahoma, as of and for the year ended June 30, 2017, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 of 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 the standards applicable to financial audits contained in *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 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 Union City School District #I-57, Canadian County, Oklahoma on the basis of the financial reporting regulations 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" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2017, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

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

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

**Qualified Opinion on Regulatory Basis of Accounting**

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Union City School District #1-57, Canadian County, Oklahoma, as of June 30, 2017, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

**Other Matters**

Other Information

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

The combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the combined financial statements 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 March 8, 2018 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.  
March 8, 2018

COMBINED FINANCIAL STATEMENTS

**Union City School District No. I-057, Canadian County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**June 30, 2017**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects			
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 514,980	\$ 204,564	\$ 242,437	\$ 245,424	\$ 52,359	\$ 0	\$ 1,259,765
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	242,437	242,437
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	402,563	402,563
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	20,157	20,157
<b>Total Assets</b>	<b>\$ 514,980</b>	<b>\$ 204,564</b>	<b>\$ 242,437</b>	<b>\$ 245,424</b>	<b>\$ 52,359</b>	<b>\$ 665,157</b>	<b>\$ 1,924,922</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Warrants Payable	\$ 88,550	\$ 5,872	\$ 0	\$ 4,455	\$ 0	\$ 0	\$ 98,877
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	52,359	0	52,359
General Obligation Bonds Payable	0	0	0	0	0	645,000	645,000
Capitalized Lease Obligations Payable	0	0	0	0	0	20,157	20,157
<b>Total Liabilities</b>	<b>\$ 88,550</b>	<b>\$ 5,872</b>	<b>\$ 0</b>	<b>\$ 4,455</b>	<b>\$ 52,359</b>	<b>\$ 665,157</b>	<b>\$ 816,393</b>
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 242,437	\$ 0	\$ 0	\$ 0	\$ 242,437
Capital Projects	0	0	0	240,969	0	0	240,969
Building Programs	0	198,692	0	0	0	0	198,692
Maps Programs	0	0	0	0	0	0	0
Unassigned	426,430	0	0	0	0	0	426,430
<b>Total Fund Balances</b>	<b>\$ 426,430</b>	<b>\$ 198,692</b>	<b>\$ 242,437</b>	<b>\$ 240,969</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,108,529</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 514,980</b>	<b>\$ 204,564</b>	<b>\$ 242,437</b>	<b>\$ 245,424</b>	<b>\$ 52,359</b>	<b>\$ 665,157</b>	<b>\$ 1,924,922</b>

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



**Union City School District No.1-057, Canadian County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ended June 30, 2017**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2017
<b>Revenue Collected:</b>					
Local Sources	\$ 575,358	\$ 81,666	\$ 396,712	\$ 0	\$ 1,053,737
Intermediate Sources	74,706	0	0	0	74,706
State Sources	1,191,287	0	0	0	1,191,287
Federal Sources	192,851	0	0	0	192,851
Non-Revenue Receipts	1,078	0	0	0	1,078
<i>Total Revenue Collected</i>	<u>\$ 2,035,280</u>	<u>\$ 81,666</u>	<u>\$ 396,712</u>	<u>\$ 0</u>	<u>\$ 2,513,659</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 1,060,093	\$ 492	\$ 0	\$ 0	\$ 1,060,585
Support Services	717,614	72,253	0	5,955	795,821
Operation of Non-Instructional Services	132,940	313	0	835	134,088
Facilities Acquisition and Construction	0	0	0	247	247
Other Outlays	893	0	0	0	893
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	380,000	0	380,000
Interest and Fiscal Agent Fees	0	0	17,285	0	17,285
<i>Total Expenditures Paid</i>	<u>\$ 1,911,540</u>	<u>\$ 73,058</u>	<u>\$ 397,285</u>	<u>\$ 7,037</u>	<u>\$ 2,388,920</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 123,740</u>	<u>\$ 8,609</u>	<u>\$ (573)</u>	<u>\$ (7,037)</u>	<u>\$ 124,740</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	0	0	0	0
Transfers In	32,566	0	0	0	32,566
Transfers Out	(2,000)	0	0	0	(2,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 30,566</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,566</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 154,306</u>	<u>\$ 8,609</u>	<u>\$ (573)</u>	<u>\$ (7,037)</u>	<u>\$ 155,306</u>
<i>Fund Balance - Beginning of Year</i>	<u>272,123</u>	<u>190,083</u>	<u>243,010</u>	<u>248,006</u>	<u>953,223</u>
<i>Fund Balance - End of Year</i>	<u>\$ 426,430</u>	<u>\$ 198,692</u>	<u>\$ 242,437</u>	<u>\$ 240,969</u>	<u>\$ 1,108,529</u>

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

**Union City School District No. J-057, Canadian County, Oklahoma**  
**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, 2017**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 594,452	\$ 594,452	\$ 575,358	\$ 84,969	\$ 85,461	\$ 81,666	\$ 406,921	\$ 406,921	\$ 396,712
Intermediate Sources	62,500	62,500	74,706	0	0	0	0	0	0
State Sources	1,027,107	1,027,107	1,191,287	0	0	0	0	0	0
Federal Sources	203,872	203,872	192,851	0	0	0	0	0	0
Non-Revenue Receipts	0	0	1,078	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 1,887,931</b>	<b>\$ 1,887,931</b>	<b>\$ 2,035,280</b>	<b>\$ 84,969</b>	<b>\$ 85,461</b>	<b>\$ 81,666</b>	<b>\$ 406,921</b>	<b>\$ 406,921</b>	<b>\$ 396,712</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 1,181,150	\$ 1,181,150	\$ 1,060,093	\$ 0	\$ 492	\$ 492	\$ 0	\$ 0	\$ 0
Support Services	825,115	825,115	717,614	275,052	275,052	72,253	0	0	0
Operation of Non-Instructional Services	169,497	169,497	132,940	0	0	313	0	0	0
Facilities Acquisition and Construction	5,044	5,044	0	0	0	0	0	0	0
Other Outlays	8,249	8,249	893	0	0	0	649,931	649,931	397,285
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	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 2,189,054</b>	<b>\$ 2,189,054</b>	<b>\$ 1,911,540</b>	<b>\$ 275,052</b>	<b>\$ 275,544</b>	<b>\$ 73,058</b>	<b>\$ 649,931</b>	<b>\$ 649,931</b>	<b>\$ 397,285</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (301,123)</b>	<b>\$ (301,123)</b>	<b>\$ 123,740</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>	<b>\$ (243,010)</b>	<b>\$ (243,010)</b>	<b>\$ (573)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	29,000	29,000	32,566	0	0	0	0	0	0
Transfers Out	0	0	(2,000)	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 29,000</b>	<b>\$ 29,000</b>	<b>\$ 30,566</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (272,123)</b>	<b>\$ (272,123)</b>	<b>\$ 154,306</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>	<b>\$ (243,010)</b>	<b>\$ (243,010)</b>	<b>\$ (573)</b>
<b>Fund Balance - Beginning of Year</b>	<b>272,123</b>	<b>272,123</b>	<b>272,123</b>	<b>190,083</b>	<b>190,083</b>	<b>190,083</b>	<b>243,010</b>	<b>243,010</b>	<b>243,010</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 426,430</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 198,692</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 242,437</b>

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

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Union City Public Schools Independent District No. 57, Canadian County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.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 the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

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

**1.B. Fund Accounting**

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

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

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

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, (continued)**

**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).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

**2. Special Revenue Funds** - The Special Revenue Fund of the District consist of the Building Fund.

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.

Maps Fund - The Maps Fund consists of monies derived from Oklahoma City sales taxes approved for public schools.

**3. 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.

**4. Capital Projects Fund** - The Capital Projects Fund consists of the District's 2015 Building bond issue. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

**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, trust funds are used for their accounting and reporting. 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.

**1. Agency Funds** - 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, of collecting, disbursing and accounting for these activity funds.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, (continued)**

**Account Groups**

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

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

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

**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. Interfund eliminations have not been made in the aggregation of this data.

**1.C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- 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.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.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 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.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, 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 direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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

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

Inventories – The value of consumable inventories at June 30, 2017, is not material to the basic financial statements.

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

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**Resource Use Policy**

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**1.F. Revenue, Expenses, and Expenditures**

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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 education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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 as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.



**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.F. Revenue, Expenses, and Expenditures, (continued)**

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2017:

			<u>Carrying Value</u>
Deposits			
Demand Deposits	\$		1,262,003
Time Deposits			<u>0</u>
Total Deposits	\$		<u><u>1,262,003</u></u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ <u>0</u>
Total Investments			\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents			\$ 1,259,765
Investments			0
Activity Fund Outstanding Checks/Deposits in Transit			<u>2,238</u>
Total Deposits and Investments			\$ <u><u>1,262,003</u></u>

**Custodial Credit Risk** – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2017, the District was not exposed to custodial credit risk as defined above.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 2 – Deposit and Investment Risk, (continued)**

**Investment Credit Risk** – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations- rating agencies- as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2017, as defined above.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

**Concentration of Investment Credit Risk** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2017, the District had no concentration of credit risk as defined above.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 3 - General Long-Term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. 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 and capital lease purchases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2017:

	<u>Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, July 1, 2016	\$ 1,025,000	\$ 19,598	\$ 0	\$ 1,044,598
Additions	0	10,086	0	10,086
Retirements	380,000	9,527	0	389,527
<b>Balance, June 30, 2017</b>	<b>\$ 645,000</b>	<b>\$ 20,157</b>	<b>\$ 0</b>	<b>\$ 665,157</b>

A brief description of the outstanding general obligation bond issues at June 30, 2016, is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2012 Building Bonds	.8% -1.0%	1-Aug-17	\$ 1,000,000	\$ 255,000
2015 Building Bonds	2.0% -1.15%	1-Jul-18	515,000	390,000
<b>Totals</b>			<b>\$ 1,515,000</b>	<b>\$ 645,000</b>

Presented below is a summary of debt service requirements to maturity by years and by each bond issue.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2012 Building Bonds</b>			
2017-18	\$ 255,000	\$ 1,147	\$ 256,147
<b>Sub Total</b>	<b>255,000</b>	<b>1,147</b>	<b>256,147</b>
<b>2015 Building Bonds</b>			
2018-19	390,000	4,485	394,485
<b>Sub Total</b>	<b>390,000</b>	<b>4,485</b>	<b>394,485</b>
<b>Total Bonds</b>	<b>\$ 645,000</b>	<b>\$ 5,632</b>	<b>\$ 650,632</b>

Interest expense on bonds payable incurred during the current year totaled \$17,285.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 3 - General Long-Term Debt, (continued)**

The District has entered into lease agreements as lessee for financing the acquisition of copiers and a tractor. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted 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 above assets as assets 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 for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Admin Copier	HS Copier	Elem Copier	Tractor	Total
2018	\$ 945	\$ 1,884	\$ 2,148	\$ 4,798	\$ 9,775
2019	0	1,727	2,148	2,801	6,676
2020	0	0	2,148	0	2,148
2021	0	0	2,148	0	2,148
2022	0	0	179	0	179
Total	945	3,611	8,771	7,599	20,926
Less: Amount Representing Interest	(17)	(106)	(441)	(205)	(769)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 928</b>	<b>\$ 3,505</b>	<b>\$ 8,330</b>	<b>\$ 7,394</b>	<b>\$ 20,157</b>

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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. PERS provides retirement, disability and death benefits to plan members and beneficiaries. 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 a publicly available financial report that includes 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.

**Funding Policy** - 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 education institutions who work at least 20 hours per week.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 4 – Employee Retirement System, (continued)**

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee’s earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2017. 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, 2017, 2016, and 2015 were \$100,287, \$103,548, and \$104,184 respectively.

The compensation for employees covered by the System for the year ended June 30, 2017 was \$1,054,110 the District’s total compensation was \$1,308,865. In addition to the District’s 9.50% contributions, the District was required to pay into the System 7.70% of compensation arising from federal grants (\$7,147). There were \$59,324 contributions made by employees during the year ended June 30, 2017.

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

Total pension obligation	\$ 22,193,244,472
Net assets available for benefits, at cost	<u>14,577,868,730</u>
 Nonfunded pension benefit obligation	 <u>\$ 7,615,375,742</u>

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 Teacher’s Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they come due.

**Note 5 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 6 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$8,807,324; general liability - \$2,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also 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 school 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 schools losses for the last five year. 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 Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

**Note 7 - Use of Estimates**

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education 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. Actual results could differ from those estimates.

**Note 8 – Surety Bonds**

The District has a public official schedule bond with Western Surety Company bond Number 69475817, which covers the period February 21, 2016 to February 21, 2017 and the period February 21, 2017 to February 21, 2018. The positions covered are superintendent \$100,000, treasurer \$100,000 and encumbrance clerk/minutes clerk/activity fund custodian/payroll clerk, and two administrative secretaries \$50,000.

**Union City School District No. I-057, Canadian County**  
**Notes To Combined Financial Statements**  
**For The Year Ended June 30, 2017**

**Note 9 – Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**Note 10 – Budget Amendments**

The Maps Fund Budget was amended once during the year by filing a supplemental appropriation with the county clerk's office. The supplemental appropriation was filed December 2017 for \$492. This increased the original Maps Fund Budget from \$0 to \$492.

OTHER SUPPLEMENTAL INFORMATION



**Union City School District No.1-057, Canadian County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**June 30, 2017**

<u><b>ASSETS</b></u>	<u><b>Building Fund</b></u>	<u><b>Maps Fund</b></u>	<u><b>Total June 30, 2017</b></u>
Cash and Cash Equivalents	\$ 204,564	\$ 0	\$ 204,564
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 204,564</u>	<u>\$ 0</u>	<u>\$ 204,564</u>
<u><b>LIABILITIES AND FUND BALANCES</b></u>			
Liabilities:			
Warrants Payable	\$ 5,872	\$ 0	\$ 5,872
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 5,872</u>	<u>\$ 0</u>	<u>\$ 5,872</u>
Fund Balances:			
Restricted	\$ 198,692	<u>0</u>	\$ 198,692
<i>Total Fund Balances</i>	<u>\$ 198,692</u>	<u>\$ 0</u>	<u>\$ 198,692</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 204,564</u>	<u>\$ 0</u>	<u>\$ 204,564</u>

**Union City School District No.1-057, Canadian County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ended June 30, 2017**

	<b>Building Fund</b>	<b>Maps Fund</b>	<b>Total June 30, 2017</b>
<b>Revenue Collected:</b>			
Local Sources	\$ 81,174	\$ 492	\$ 81,666
Intermediate Sources	0	0	0
State Sources	0	0	0
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<b>\$ 81,174</b>	<b>\$ 492</b>	<b>\$ 81,666</b>
 <b>Expenditures Paid:</b>			
Instruction	\$ 0	\$ 492	\$ 492
Support Services	72,253	0	72,253
Operation of Non-Instructional Services	313	0	313
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
<i>Total Expenditures Paid</i>	<b>\$ 72,566</b>	<b>\$ 492</b>	<b>\$ 73,058</b>
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<b>\$ 8,609</b>	<b>\$ 0</b>	<b>\$ 8,609</b>
 <b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
 <b>Other Financing Sources (Uses):</b>			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<b>\$ 8,609</b>	<b>\$ 0</b>	<b>\$ 8,609</b>
 <i>Fund Balance - Beginning of Year</i>	<b>190,083</b>	<b>0</b>	<b>190,083</b>
 <i>Fund Balance - End of Year</i>	<b>\$ 198,692</b>	<b>\$ 0</b>	<b>\$ 198,692</b>

Union City School District No.1-057, Canadian County, Oklahoma  
 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, 2017

	Building Fund			Maps Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 84,969	\$ 84,969	\$ 81,174	\$ 0	\$ 492	\$ 492	\$ 84,969	\$ 85,461	\$ 81,666
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	0	0	0
Federal Sources	0	0	0	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 84,969</b>	<b>\$ 84,969</b>	<b>\$ 81,174</b>	<b>\$ 0</b>	<b>\$ 492</b>	<b>\$ 492</b>	<b>\$ 84,969</b>	<b>\$ 85,461</b>	<b>\$ 81,666</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 492	\$ 492	\$ 0	\$ 492	\$ 492
Support Services	275,052	275,052	72,253	0	0	0	275,052	275,052	72,253
Operation of Non-Instructional Services	0	0	313	0	0	0	0	0	313
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
<b>Total Expenditures Paid</b>	<b>\$ 275,052</b>	<b>\$ 275,052</b>	<b>\$ 72,566</b>	<b>\$ 0</b>	<b>\$ 492</b>	<b>\$ 492</b>	<b>\$ 275,052</b>	<b>\$ 275,544</b>	<b>\$ 73,058</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
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
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (190,083)</b>	<b>\$ (190,083)</b>	<b>\$ 8,609</b>
<b>Fund Balance - Beginning of Year</b>	<b>190,083</b>	<b>190,083</b>	<b>190,083</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190,083</b>	<b>190,083</b>	<b>190,083</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 198,692</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 198,692</b>

**Union City School District No.1-057, Canadian County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Equity**  
**Regulatory Basis - Activity Fund**  
**June 30, 2017**

	<b>School Activity Fund</b>
<b><u>ASSETS</u></b>	
Cash	\$ 52,359
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 52,359</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>52,359</u>
<i>Total Liabilities</i>	<u>\$ 52,359</u>
Fund Equity:	
Unassigned	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 52,359</u>

**Union City School District No.1-057, Canadian County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ended June 30, 2017**

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Athletic	\$ 5,853	\$ 28,503	\$ 29,727	\$ 4,629
FFA	8,575	73,209	74,291	7,493
Shop	241	0	0	241
General Fund	457	1,988	2,427	18
FCCLA	1,011	0	0	1,011
Elementary	2,574	14,006	7,118	9,462
DLC	0	10,000	3,821	6,179
Petty Cash	0	400	400	0
Yearbook	7,487	4,524	4,812	7,199
Library	665	3,385	3,680	370
Student Council	1,178	1,145	436	1,887
Math & Science Club	1,120	0	392	728
Junior Pep Club	126	0	0	126
Flower Fund	1	0	0	1
Library Memorial Fund	516	0	0	516
Coke Account	150	2,868	2,437	581
Child Nutrition	0	32,837	32,837	0
High School Cheerleaders	69	40	0	109
Drama	371	0	0	371
F.C.A.	1,685	500	500	1,685
Playground Account	1,188	564	78	1,674
Junior High Academics	17	0	0	17
Class of 2016 (12)	1,098	0	1,098	0
Tournament Donations	111	750	212	649
Athletics/Basketball	4,803	10,612	10,321	5,094
Class of 2017 (Seniors)	1,807	1,438	2,643	602
Class of 2018 (Juniors)	345	4,853	4,077	1,121
Class of 2019 (10th)	358	0	0	358
Class of 2020 (9th)	137	0	0	137
Class of 2021 (8th)	100	0	0	100
<b>Total Activities</b>	<b>\$ 42,044</b>	<b>\$ 191,622</b>	<b>\$ 181,307</b>	<b>\$ 52,359</b>

UNION CITY SCHOOL DISTRICT #1-57  
 CANADIAN COUNTY - OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 ALLOCATIONS & EXPENDITURES  
 07/01/16 TO 06/30/17

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/(ACCRUED) OR DEFERRED REVENUE AT JULY 1, 2016	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/(ACCRUED) OR DEFERRED REVENUE AT JUNE 30, 2017	INDIRECT COST
<u>U.S. Department of Education -</u>							
<u>Direct Programs</u>							
84.358A	588	\$18,873.56	(\$2,310.30)	\$21,183.86	\$18,873.56	\$0.00	\$0.00
<u>State Department of Education -</u>							
84.010	511	38,776.28	0.00	29,627.99	38,688.96	(9,060.97)	0.00
84.367	541/586	7,590.23	0.00	7,590.23	7,590.23	0.00	0.00
84.027	621	55,806.92	0.00	44,613.14	55,806.92	(11,193.78)	0.00
84.173	641	1,192.99	0.00	1,192.99	1,192.99	0.00	0.00
Special Education Cluster							
<u>State Department of Career and Technology -</u>							
84.048	426	8,500.00	0.00	0.00	8,500.00	(8,500.00)	0.00
<u>U.S. Department of Agriculture -</u>							
Child Nutrition Cluster:							
10.555	763	60,641.88	0.00	60,641.88	60,641.88	0.00	0.00
10.553	764	28,001.00	0.00	28,001.00	28,001.00	0.00	0.00
Total Cash Assistance							
			0.00	88,642.88	88,642.88	0.00	0.00
10.550	N/A	10,160.19	0.00	10,160.19	10,160.19	0.00	0.00
Commodity Distribution							
			0.00	98,803.07	98,803.07	0.00	0.00
Total Child Nutrition Program							
TOTAL FEDERAL FINANCIAL ASSISTANCE							
			(\$2,310.30)	\$203,011.28	\$229,455.73	(\$28,754.75)	\$0.00

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.

NOTE 4: Indirect Cost included in total expenditures

NOTE 5: The District has elected not to use the 10% de Minimis indirect cost rate allowed under the Uniform Guidance.

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

UNION CITY SCHOOL DISTRICT #1-57  
CANADIAN COUNTY - OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2016 TO JUNE 30, 2017

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 Union City School District #1-57, Canadian County, Oklahoma, for the audit year 2016-17.

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

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 8<sup>th</sup> day of March, 2018.

*Pam S. Melvin*  
Notary Public

My Commission expires January 29, 2020



INTERNAL CONTROL AND COMPLIANCE REPORTS



# Chas. W. Carroll, P.A.

302 N. Independence  
Independence Tower - Suite 103  
Enid, Oklahoma 73701

Phone 580-234-5468  
Fax 580-234-5425

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

The Honorable Board of Education  
Union City School District #1-57  
Canadian 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 Union City School District #1-57, Canadian County, Oklahoma, as listed in the Table of Contents as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collective comprise the District's combined financial statements, and have issued my report thereon dated March 8, 2018, which was adverse with respect to the presentation of the financial statements in conformity with the accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was qualified for the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

### **Internal Control Over Financial Reporting**

In planning and performing my audit 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. 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 items 17-01, 17-02 and 17-03 that I consider to be significant deficiencies.

**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 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*.

I noted certain matters that I reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as item B-1.

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.  
March 8, 2018

OTHER INFORMATION

UNION CITY SCHOOL DISTRICT #I-57  
CANADIAN COUNTY – OKLAHOMA  
JULY 1, 2016 TO JUNE 30, 2017

SCHEDULE OF FINDINGS  
JUNE 30, 2017

17-01 Finding

Statement of Condition - During my examination I found one District expenditure that appears to be for personal use and not for a District or public purpose.

Criteria - District funds are to be used for approved public purposes and activities.

Cause/Effect of Condition - While the District has established policies and procedures they were not followed by personnel.

Recommendation - The District administration should ensure all District personnel are instructed in purchasing procedures.

17-02 Finding

Statement of Condition - Four (4) of 35 Activity Fund requisitions were dated after the invoice/order date indicating the goods/services were ordered before being approved or the invoice was not dated. Additionally, five (5) payments did not have an itemized invoice available for review.

Criteria - All expenditures are to have requisitions submitted prior to any order of goods or services are made, which includes a predetermined amount, all invoices or packing slips are to be signed by personnel receiving goods or services and invoices are required documentation before payment is made.

Cause/Effect of Condition - Employees are not following purchasing procedures, which could lead to unauthorized purchases being made.

Recommendation - I recommend all purchases be approved with a purchase order/requisition prior to items being ordered and be accompanied by an itemized, dated and signed invoice.

17-03 Finding

Statement of Condition - Activity Fund sponsors receipts were not always turned in to the Activity Fund Custodian on a timely basis.

Criteria - Pre-numbered Activity Fund receipts shall be issued for every sub-account for each fiscal year and every teacher in the school system should be informed that all monies are to be turned in to the Activity Fund Custodian on a daily basis.

Cause/Effect of Condition - The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete records.

Recommendation - The District should be following all specific procedures established by the State Department of Education.

UNION CITY SCHOOL DISTRICT #I-57  
CANADIAN COUNTY – OKLAHOMA  
JULY 1, 2016 TO JUNE 30, 2017

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

Specific Administrative Controls

Internal Control

B-1 Lease Purchase Contract

The governing board of the District entered into a lease-purchase agreement for copiers, during the 2016-17 fiscal year, for 60 months. The agreement did not contain a mutual ratification clause.

Any lease-purchase or rental contract extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal under conditions provided in O.S. 62-430.1.

UNION CITY SCHOOL DISTRICT #I-57  
CANADIAN COUNTY – OKLAHOMA  
JULY 1, 2016 TO JUNE 30, 2017

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2017

16-01 Finding

Statement of Condition - Pre-numbered receipts were not always utilized by Activity Fund sponsors and receipts were not always turned in to the Activity Fund Custodian on a timely basis.

Criteria – Pre-numbered Activity Fund receipts shall be issued for every sub-account for each fiscal year and every teacher in the school system should be informed that all monies are to be turned in to the Activity Fund Custodian on a daily basis.

Cause/Effect of Condition - The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete records.

Recommendation – The District should be following all specific procedures established by the State Department of Education.

Current Status - This finding continued during the current year.

16-02 Finding

Statement of Condition - Pre-numbered tickets for District Activity Fund events were not available for review.

Criteria –Receipts for collections shall be given by the Activity Fund Custodian. Pre-numbered tickets should be used for admissions in order to establish internal control. All tickets not sold by the gate keeper should be accounted for at the end of each event and a written reconciliation made of tickets sold to actual revenues collected and verified by two (2) signatures. Reconciliation documents should be filed in date order as part of the documentation for the Activity Fund.

Cause/Effect of Condition - Not providing or maintaining event tickets could lead to loss of revenues and provides no documentation or receipts and failure to properly record transactions in general and sub-account ledgers.

Recommendation – The District should utilize gate tickets at all events. The gate reconciliation form is to be retained and gate ticket stubs can be disposed of after the audit period.

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

16-03 Finding

Statement of Condition – Eleven (11) of 46 District purchase orders and twenty-nine (29) of 46 Activity Fund purchases did not have invoices with signatures of the employees receiving the goods or services.

Criteria – Each invoice or packing slips is to be signed by the employee receiving goods or services.

Cause/Effect of Condition – Employees failure to follow purchasing procedures caused them to be in non-compliance with District policies.

Recommendation – District employees should be aware of purchasing policies and requirements.

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

UNION CITY SCHOOL DISTRICT #I-57  
CANADIAN COUNTY – OKLAHOMA  
JULY 1, 2016 TO JUNE 30, 2017

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".

CORRECTIVE ACTION PLAN  
2016-2017 AUDIT REPORT  
UNION CITY SCHOOLS

17-01 **Finding-** During examination, found one district expenditure that appeared to be for personal use and not for a district or public purpose.

**Recommendation-** The district administration should ensure all district personnel are instructed in purchasing procedures.

*Union City district administration will ensure all district personnel are instructed in purchasing procedures. This will be done immediately through email to staff and at the beginning of each school year.*

17-02 **Finding-** 4 of 35 Activity fund requisitions were dated after the invoice date indicating the goods or services were ordered before being approved or the invoice was not dated. Additionally, 5 payments did not have an itemized invoice available for review.

**Recommendation-** Purchases need to be approved with a purchase order prior to items being ordered and be accompanied by an itemized, dated and signed invoice.

*All purchases shall be approved with a purchase order prior to items being ordered and they will be accompanied by an itemized, dated and signed invoice.*

17-03 **Finding-** Activity Fund sponsors receipts were not always turned in to the Activity Fund Custodian on a timely basis.

**Recommendation-** The District should be following all specific procedures established by the State Department of Education

*Union City School District will follow all specific procedures established by the State Department of Education. This will begin immediately.*

CURRENT YEAR EXCEPTIONS

B-1 Lease Purchase Contract

The governing board of the District entered into a lease-purchase agreement for copiers during the 2016-2017 fiscal year, for 60 months. The agreement did not contain a mutual ratification clause.

Any lease-purchase or rental contract extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal under conditions provided in O.S. 62-430.1

*Union City District administration will obtain a mutual ratification for the 2018-2019 school year.*