

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Financial Statements  
June 30, 2016  
With Independent Auditors' Report Thereon

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**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA  
June 30, 2016**

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HUGHES COUNTY, OKLAHOMA  
June 30, 2016**

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**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 1-35  
HUGHES COUNTY, OKLAHOMA**

School District Officials

June 30, 2016

Board of Education

President

Terry Swayze

Vice-President

Benjamin Heath

Member - Clerk

Dewayne Maylen

Member

Kevin Arthur

Member

Kristina Wells

School District Treasurer

Peggy O'Kelley

Minute Clerk

Peggy O'Kelley

Encumbrance Clerk

Crystal Sherry

Superintendent of Schools

Randy Davenport

# JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.  
Allen Bryant, Jr., C.P.A.

P.O. Box 1564  
Ada, Oklahoma 74821-1564  
(580) 332-5549

MEMBER  
American Institute of Certified Public Accountants  
Oklahoma Society of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Holdenville Independent School District Number I-35  
Holdenville, Hughes County, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Holdenville School District I-35, Hughes County, Oklahoma (District), as of and for the year ended June 30, 2016, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of account 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 from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As discussed in Note 1, the financial statements are prepared by the Holdenville School District Number I-35 on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

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

In our opinion, because the significance of the matter discussed in the “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 Holdenville School District Number I-35, Hughes County, Oklahoma as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

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

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

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

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the 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 Holdenville School District Number I-35, Hughes County, Oklahoma, as of June 30, 2016, 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**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements-regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Board of Education  
Holdenville Independent School District Number I-35  
Holdenville, Hughes County, Oklahoma  
Page three

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



December 6, 2016  
Ada, Oklahoma

COMBINED FINANCIAL STATEMENTS



**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Combined Statement of Assets, Liabilities and Fund Balance - Regulatory Basis  
All Fund Types and Account Groups  
June 30, 2016

	Governmental Fund Types		
	General	Special Revenue	Fiduciary Fund Types Trust and Agency
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,137,930	\$ 229,835	\$ 169,472
Amount Available for Debt Service	-	-	
Amount to be Provided	-	-	
TOTAL ASSETS	<u>\$ 1,137,930</u>	<u>\$ 229,835</u>	<u>\$ 169,472</u>
<u>LIABILITIES AND FUND BALANCE:</u>			
<u>LIABILITIES:</u>			
Warrants Payable	\$ 684,231	\$ 36,287	\$ 8,355
Bonds Outstanding	-	-	-
Encumbrances	86,154	400	1,422
TOTAL LIABILITIES	<u>770,385</u>	<u>36,687</u>	<u>9,777</u>
<u>FUND BALANCE:</u>			
Fund Balance-Restricted	-	193,148	-
Fund Balance-Unassigned	367,545	-	159,695
TOTAL FUND BALANCE	<u>367,545</u>	<u>193,148</u>	<u>159,695</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,137,930</u>	<u>\$ 229,835</u>	<u>\$ 169,472</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Account Group Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
\$ 4,731	\$ 2,501,830	\$ -	\$ 4,043,798
		4,731	4,731
		2,495,269	2,495,269
<u>\$ 4,731</u>	<u>\$ 2,501,830</u>	<u>\$ 2,500,000</u>	<u>\$ 6,543,798</u>
\$ -	\$ -	\$ -	\$ 728,873
-	-	2,500,000	2,500,000
-	-	-	87,976
<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>3,316,849</u>
4,731	2,501,830	-	2,699,709
-	-	-	527,240
<u>4,731</u>	<u>2,501,830</u>	<u>-</u>	<u>3,226,949</u>
<u>\$ 4,731</u>	<u>\$ 2,501,830</u>	<u>\$ 2,500,000</u>	<u>\$ 6,543,798</u>

**HOLDENVILLE PUBLIC SCHOOL  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid and  
Changes in Fund Balances - Regulatory Basis  
All Governmental Fund Types  
Year Ended June 30, 2016

Governmental Fund Types

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>REVENUES COLLECTED:</u>			
District Sources	\$ 1,592,810	\$ 315,786	\$ 102,551
Intermediate Sources	256,831	-	-
State Sources	4,833,304	29,621	-
Federal Sources	761,795	599,314	-
TOTAL REVENUE COLLECTED	<u>7,444,740</u>	<u>944,721</u>	<u>102,551</u>
<u>EXPENDITURES PAID:</u>			
Instruction	5,168,695	-	-
Support Services	2,525,533	46,334	-
Non-Instruction	709	656,304	-
Capital Outlay	-	199,725	-
Other Outlays	-	-	127,063
TOTAL EXPENDITURES PAID	<u>7,694,937</u>	<u>902,363</u>	<u>127,063</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	(250,197)	42,358	(24,512)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Excess of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(250,197)	42,358	(24,512)
Fund Balance, Beginning of Year	<u>617,742</u>	<u>150,790</u>	<u>29,243</u>
Fund Balance, End of Year	<u>\$ 367,545</u>	<u>\$ 193,148</u>	<u>\$ 4,731</u>

The accompanying notes are an integral part of this statement.

Capital Projects	Total (Memorandum Only)
\$ 2,501,830	\$ 4,512,977
	256,831
	4,862,925
	1,361,109
<u>2,501,830</u>	<u>10,993,842</u>
-	5,168,695
-	2,571,867
-	657,013
-	199,725
-	127,063
<u>-</u>	<u>8,724,363</u>
2,501,830	2,269,479
<u>-</u>	<u>-</u>
2,501,830	2,269,479
<u>-</u>	<u>797,775</u>
<u>\$ 2,501,830</u>	<u>\$ 3,067,254</u>

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance – Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund – General Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUE COLLECTED:</u></b>				
District Sources	\$ 1,387,427	\$ 1,387,427	\$ 1,592,810	\$ 205,383
Intermediate Sources	234,377	234,377	256,831	22,454
State Sources	4,739,924	4,739,924	4,833,304	93,380
Federal Sources	456,677	832,636	761,795	(70,841)
TOTAL REVENUE COLLECTED	6,818,405	7,194,364	7,444,740	250,376
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	4,909,892	5,285,851	5,168,695	117,156
Support Services	2,525,545	2,525,545	2,525,533	12
Non-Instruction Services	710	710	709	1
Capital Outlay	-	-	-	-
Other Outlay	-	-	-	-
TOTAL EXPENDITURES PAID	7,436,147	7,812,106	7,694,937	117,169
Excess of Revenues Collected Over (Under) Expenditures Paid	(617,742)	(617,742)	(250,197)	367,545
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating Transfers In	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(617,742)	(617,742)	(250,197)	367,545
FUND BALANCE, BEGINNING OF YEAR	617,742	617,742	617,742	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 367,545	\$ 367,545

The accompanying notes are an integral part of this statement.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance – Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund – Special Revenue  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>				
District Sources	\$ 230,810	\$ 230,810	\$ 315,786	\$ 84,976
Intermediate Sources	-	-	-	-
State Sources	6,978	6,978	29,621	22,643
Federal Sources	386,181	555,021	599,314	44,293
TOTAL REVENUE COLLECTED	<u>623,969</u>	<u>792,809</u>	<u>944,721</u>	<u>151,912</u>
<u>EXPENDITURES PAID:</u>				
Instruction	-	-	-	-
Support Services	47,400	47,400	46,334	1,066
Non-Instruction Services	495,289	664,129	656,304	7,825
Capital Outlay	232,070	232,070	199,725	32,345
Other Outlay	-	-	-	-
TOTAL EXPENDITURES PAID	<u>774,759</u>	<u>943,599</u>	<u>902,363</u>	<u>41,236</u>
Excess of Revenue Collected Over (Under) Expenditures Paid	(150,790)	(150,790)	42,358	193,148
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	-	-	-	-
Excess of revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(150,790)	(150,790)	42,358	193,148
FUND BALANCE, BEGINNIG OF YEAR	<u>150,790</u>	<u>150,790</u>	<u>150,790</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,148</u>	<u>\$ 193,148</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2016

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

The financial statements of the Holdenville Public Schools Independent District No. I-35 (the "District") have been prepared in conformity with another comprehensive basis of accounting prescribed or permitted by Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basis -- but not the only -- criterion for including a potential component unit in 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 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 involved 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.

**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.



**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

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

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**General Fund** - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**Special Revenue Fund** - The special revenue fund of the District consists of the Building Fund and Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of constructing, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries.

Debt Service Fund - 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 earning from temporary investments.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**Capital Projects Fund** - The Capital Projects Fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Proprietary Fund Types**

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

**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 principle. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund - The Agency Fund is the Schools Athletics and Activities Fund which is used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

**Account Groups**

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

**General Long-Term Debt Account Group** - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt-service fund and the amount to be provided in future years to complete retirement of the debt principal.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**General Fixed Asset Account Group** - This account group is used to account for property, plant and equipment of the school district.

**Memorandum Only - Total Column**

The total column on the combined 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.

**C. Basis of Accounting**

The District prepares its basic financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts.

General Fund	\$	86,154
Activity Fund		1,422
Special Revenue Fund		400
Total	\$	87,976

**E. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual estimate of needs and submit it to the county excise board by October 1 of each year.

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.

**F. 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** – The District’s financial instruments include cash and investments. The District’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of assets, liabilities, and fund balances. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Inventories** – Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District’s financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Assets, Liabilities and Fund Equity (continued)**

**Fixed Assets and Property, Plant and Equipment** - The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

**Compensated Absences** – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

**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.

**Due to Activity Groups** - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

**Reserved for Debt Service** - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District). Any balance in excess of the outstanding obligations is shown as Cash Fund Balance.

**Fund Balances** – In the fund 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 amount 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).

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Assets, Liabilities and Fund Equity (continued)**

**Fund Balances (continued)**

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 amount 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.

**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 hi-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 purposed within the general fund.

**G. Revenue, Expenses and Expenditures**

**Local Sources** - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

**Intermediate Sources** - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

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June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**State Sources** - 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 revenues 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 programs. The State Department of Education requires that categorical educational program revenue be accounted for in the general fund.

**Federal Sources** - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

**Instruction Expenditures** - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

**Support Services Expenditures** - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

**Operation of Non-Instructional Services Expenditures** - This expenditures category consists of activities which provide non-instructional services to students, staff or the community.

**Capital Outlays** - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

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**HUGHES COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**Other Outlays** - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

**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.

**H. Statement of Cash Flows**

Since the District does not currently have any proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2016 accompanying financial statements.

**I. Use of Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 that reporting period. Actual results could differ from those estimates.

**J. Non-Monetary Transactions** – The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards.



**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2016

**Note 2. Property Taxes**

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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is 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 assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision had been made for uncollected taxes, as all taxes are deemed collectible. The assessed value of the certified roll, upon which the levy for the 2016 fiscal year was based, was \$41,026,044.

Ad valorem tax rates and collections for the year ended June 30, 2016 are as follows:

	<u>Mills Levied</u>	<u>Current Year Collections</u>	<u>Percent Collected of Taxes Levied</u>
General Fund	37.20	\$ 1,474,277	96.6%
Building Fund	5.31	210,441	96.6%
Sinking Fund	2.50	99,078	96.6%
Total	<u>45.01</u>	<u>\$ 1,783,796</u>	

Collection of prior year ad valorem taxes are as follows:

General Fund	\$ 46,365
Building Fund	6,665
Sinking Fund	<u>3,473</u>
Total	<u>\$ 56,503</u>

On February 13, 2001, voters of the school district voted to make all current support levies permanent.

**HOLDENVILLE PUBLIC SCHOOLS**  
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**HUGHES COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2016

**Note 3. Stewardship, Compliance and Accountability**

**Budgetary Information** – The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

**Note 4. Detailed Notes Concerning the Funds**

**A. Deposits and Investments**

**Custodial Credit Risk**

At June 30, 2016, the District held deposits of approximately \$4,043,798 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**Investment Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Notes to Financial Statements  
June 30, 2016

**Note 4. Detailed Notes Concerning the Funds (continued)**

**A. Deposits and Investments (continued)**

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administration and debentures issued by the Federal Housing Administration, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a. – d.).

The investments held at June 30, 2016 are as follows:

Types	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
<b>Investments</b>				
Oklahoma Liquid Assets Pool	N/A	AAAM	\$ 3,647,088	\$ 3,647,088
Certificate of Deposit	<12	AAAM	78,285	78,285
Checking	N/A	AAAM	318,425	318,425
<b>Total Investments</b>			<b>\$ 4,043,798</b>	<b>\$ 4,043,798</b>

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 8% in checking, 2% in Certificate of Deposits and 90% in Oklahoma Liquid Asset Pool.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statements  
June 30, 2016

**Note 5. General Long-Term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without the approval by the District voters. Bond issues have been approved by voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 10 years from the date of issue. Debt service requirements for bonds are payable solely from 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, 2016.

<u>Obligation</u>	<u>Balance Outstanding 6/30/2015</u>	<u>Issued (Retired) During Year</u>	<u>Balance Outstanding 6/30/2016</u>
2011 GO Bonds	\$ 125,000	\$ (125,000)	\$ -
2016 GO Bonds	\$ -	\$ 2,500,000	\$ 2,500,000
Totals	<u>\$ 125,000</u>	<u>\$ 2,375,000</u>	<u>\$ 2,500,000</u>

The annual requirements to retire general obligations bonds as of June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ -	\$ 29,688	\$ 29,688
2018	625,000	29,688	654,688
2019	625,000	23,438	648,438
2020	625,000	15,625	640,625
2021	625,000	7,812	632,812
Totals	<u>\$ 2,500,000</u>	<u>\$ 106,251</u>	<u>\$ 2,606,251</u>

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statement  
June 30, 2016

**Note 6. Employee Retirement System**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK, 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid.

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 17.75% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma, plus the federal contribution contributed the remaining 8.25% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf

**HOLDENVILLE PUBLIC SCHOOLS  
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HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statement  
June 30, 2016

**Note 6. Employee Retirement System (continued)**

Funding Policy (continued)

of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The District's total contributions for 2016, 2015, and 2014 were \$427,742, \$470,155 and \$505,455 respectfully.

**Note 7. 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.

**Note 8. Subsequent Events**

Management has evaluated subsequent events through December 6, 2016 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**Note 9. 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. 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 Comp Source Oklahoma, an organization formed for the purpose of providing workers' compensation coverage to participating employers in the State of Oklahoma. In that capacity, Comp Source 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.

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Financial Statement  
June 30, 2016

**Note 9. Risk Management (continued)**

The District is also a member of the Oklahoma Public 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 10. Surety Bonds**

The superintendent is bonded by Western Surety Company for the sum of \$100,000.

The minute clerk/encumbrances clerk is bonded by Western Surety Company for the sum of \$5,000 each.

The Activity Fund Custodian and Food Service Custodian are bonded by Western Surety Company for the sum of \$25,000 each.

The treasurer is bonded by Western Surety Company for the sum of \$400,000.

The following employees are bonded by Western Surety Company in the amount of \$5,000 each.

- Activities Director
- Encumbrance Clerk
- Child Nutrition Manager at Thomas Middle School
- Secretary at Thomas Middle School
- Child Nutrition Manager at High School
- Secretary at High School
- Principal
- School Board Clerk

COMBINING FINANCIAL STATEMENTS



**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Combining Statement of Assets, Liabilities and Fund Balances - Regulatory Basis  
All Special Revenue Funds  
June 30, 2016

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
<u>ASSETS:</u>			
Cash and Cash equivalents	\$ 75,131	\$ 154,704	\$ 229,835
TOTAL ASSETS	\$ 75,131	\$ 154,704	\$ 229,835
<u>LIABILITIES AND CASH FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Outstanding Warrants	\$ -	\$ 36,287	\$ 36,287
Encumbrances	400	-	400
TOTAL LIABILITIES	400	36,287	36,687
<u>FUND EQUITY:</u>			
Fund Balances	74,731	118,417	193,148
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,131	\$ 154,704	\$ 229,835

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid - Regulatory Basis  
And Changes in Fund Balances - All Special Revenue Funds  
Year Ended June 30, 2016

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
<u>REVENUES COLLECTED:</u>			
District Sources of Revenue	\$ 217,364	\$ 98,422	\$ 315,786
State Sources of Revenue	-	29,621	29,621
Federal Sources of Revenue	22,000	577,314	599,314
TOTAL REVENUE COLLECTED	<u>239,364</u>	<u>705,357</u>	<u>944,721</u>
<u>EXPENDITURES:</u>			
Instruction	-	-	-
Support Services	46,334	-	46,334
Non-Instruction Services	-	656,304	656,304
Capital Outlay	199,725	-	199,725
Other Outlay	-	-	-
TOTAL EXPENDITURES PAID	<u>246,059</u>	<u>656,304</u>	<u>902,363</u>
Excess of Revenues Over (Under) Expenditures Paid	(6,695)	49,053	42,358
<u>OTHER RESOURCES AND USES:</u>			
Operating Transfers In	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	(6,695)	49,053	42,358
FUND BALANCE, BEGINNING OF YEAR	<u>81,426</u>	<u>69,364</u>	<u>150,790</u>
FUND BALANCE, END OF YEAR	<u>\$ 74,731</u>	<u>\$ 118,417</u>	<u>\$ 193,148</u>

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balances – Budget and Actual (Regulatory Basis)  
Special Revenue Fund Types  
Year Ended June 30, 2016

	Building Fund		
	Original Budget	Final Budget	Actual
<u>REVENUES COLLECTED:</u>			
District Sources of Revenue	\$ 198,044	\$ 198,044	\$ 217,364
State Sources of Revenue	-	-	-
Federal Sources of Revenue	-	-	22,000
TOTAL REVENUE	<u>198,044</u>	<u>198,044</u>	<u>239,364</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	47,400	47,400	46,334
Non-Instruction Services	-	-	-
Capital Outlay	232,070	232,070	199,725
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	<u>279,470</u>	<u>279,470</u>	<u>246,059</u>
Excess of Revenues Over (Under) Expenditures Paid	(81,426)	(81,426)	(6,695)
<u>OTHER RESOURCES AND USES:</u>			
Operating Transfers In	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	(81,426)	(81,426)	(6,695)
FUND BALANCE, BEGINNING OF YEAR	<u>81,426</u>	<u>81,426</u>	<u>81,426</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,731</u>

Child Nutrition Fund			Total		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ 32,766	\$ 32,766	\$ 98,422	\$ 230,810	\$ 230,810	\$ 315,786
6,978	6,978	29,621	6,978	6,978	29,621
386,181	555,021	577,314	386,181	555,021	599,314
<u>425,925</u>	<u>594,765</u>	<u>705,357</u>	<u>623,969</u>	<u>792,809</u>	<u>944,721</u>
-	-	-	-	-	-
-	-	-	47,400	47,400	46,334
495,289	664,129	656,304	495,289	664,129	656,304
-	-	-	232,070	232,070	199,725
-	-	-	-	-	-
<u>495,289</u>	<u>664,129</u>	<u>656,304</u>	<u>774,759</u>	<u>943,599</u>	<u>902,363</u>
(69,364)	(69,364)	49,053	(150,790)	(150,790)	42,358
-	-	-	-	-	-
(69,364)	(69,364)	49,053	(150,790)	(150,790)	42,358
<u>69,364</u>	<u>69,364</u>	<u>69,364</u>	<u>150,790</u>	<u>150,790</u>	<u>150,790</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,148</u>

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
Statement of Assets, Liabilities and Fund Equity - Regulatory Basis  
Fiduciary Funds  
June 30, 2016

	<u>Agency Fund/ Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	\$ 169,472
TOTAL ASSETS	<u>\$ 169,472</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Outstanding Warrants	\$ 8,355
Encumbrances	<u>1,422</u>
TOTAL LIABILITIES	<u>\$ 9,777</u>
 <u>FUND EQUITY:</u>	
Unreserved/Undesignated	\$ 6,735
Undesignated - Student Groups	<u>152,960</u>
TOTAL FUND EQUITY	<u>159,695</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 169,472</u>

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
Statement of Changes in Assets and Liabilities - Regulatory Basis  
All Agency Funds  
Year Ended June 30, 2016

	Balance 6-30-15	Deposited	Net Transfers	Disbursed	Balance 6-30-16
<u>ASSETS:</u>					
Cash and Investments	\$ 166,267	\$ 308,272	\$ -	\$ 305,067	\$ 169,472
TOTAL ASSETS	<u>\$ 166,267</u>	<u>\$ 308,272</u>	<u>\$ -</u>	<u>\$ 305,067</u>	<u>\$ 169,472</u>
 <u>LIABILITIES AND FUND BALANCE:</u>					
<u>LIABILITIES:</u>					
Warrants Payable	13,183	-	-	4,828	8,355
Encumbrances	-	-	-	(1,422)	1,422
TOTAL LIABILITIES	<u>13,183</u>	<u>-</u>	<u>-</u>	<u>3,406</u>	<u>9,777</u>
 <u>FUND BALANCE:</u>					
Designated/Undesignated	\$ 12,244	\$ 48,970	\$ -	\$ 54,479	\$ 6,735
Designated - Student Groups	140,840	259,302	-	247,182	152,960
TOTAL FUND BALANCE	<u>153,084</u>	<u>308,272</u>	<u>-</u>	<u>301,661</u>	<u>159,695</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 166,267</u>	 <u>\$ 308,272</u>	 <u>\$ -</u>	 <u>\$ 305,067</u>	 <u>\$ 169,472</u>

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
 Detail of Activity Funds – Regulatory Basis  
 Year Ended June 30, 2016

Description	Ending Balance 6/30/2015	Deposited	Adjustments	Disbursed	Ending Balance 6/30/2016
All Sports	\$ 8,752	\$ 38,907	\$ -	\$ 40,945	\$ 6,714
Boys Basketball	-	1,243	-	657	586
Girls Basketball	-	1,931	-	1,731	200
Boys Baseball	-	1,657	-	1,637	20
HS Fast Pitch Softball	424	2,000	570	2,582	412
Boys Track	3,453	3,759	-	3,215	3,997
Girls Softball	570	-	(570)	-	-
JH 8 Boys Basketball	-	210	-	209	1
JH 8 Girls Basketball	-	1,108	-	1,067	41
Boys Cross Country	845	3,112	853	3,032	1,778
Girls Cross Country	853	-	(853)	-	-
Golf	-	321	-	-	321
General Fund Refund	-	4,203	-	4,203	-
Scholarships	53,640	4,410	(3,159)	5,973	48,918
Roger McElroy Scholarship	-	2,550	3,159	1,740	3,969
MS Cheerleading	2,753	6,326	-	6,796	2,283
HS Cheerleading	4,457	16,331	-	16,736	4,052
FFA	3,421	36,660	-	36,495	3,586
FCCLA	2,071	674	-	829	1,916
HS Student Council	2,059	-	-	240	1,819
NHS	371	1,564	-	1,325	610
ABC	4	-	(4)	-	-
Class of 2015	271	-	(271)	-	-
Class of 2016	2,773	5,816	-	7,410	1,179
Class of 2017	-	5,429	271	2,319	3,381
Class of 2018	2,869	-	-	-	2,869

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
 Detail of Activity Funds – Regulatory Basis  
 Year Ended June 30, 2016

Description	Beginning Balance 6/30/2015	Deposited	Adjustments	Disbursed	Ending Balance 6/30/2016
Vocal Music	156	15,840	-	11,435	4,561
HS Yearbook	2,925	6,770	-	6,302	3,393
Band	4,852	49,666	366	48,791	6,093
Drill Team	367	2,502	(367)	1,617	885
HS General	8,526	11,107	5	13,147	6,491
FCA	84	-	-	-	84
Students on a Mission	132	498	-	-	630
NASC	369	-	-	-	369
Drama	1,021	-	-	243	778
Child Nutrition	266	1,516	-	909	873
Thomas Elementary	2,913	17,332	-	17,320	2,925
Ethel Reed Elementary	29,151	39,043	-	32,312	35,882
Key Club	611	550	-	773	388
District General	8,356	150	-	3,588	4,918
HEF/C Bruner	-	810	-	799	11
HEF/Revis Smith Winningham	-	9,825	-	9,727	98
HEF/Knighten	-	1,859	2,770	4,629	-
HEF/Wall Ball	2,770	-	(2,770)	-	-
HEF/Youmans	-	3,000	-	2,978	22
HEF/C Brown	-	5,204	-	5,204	-
HEF/Sanford Cates Babb Sipes	-	852	-	-	852
HEF/Story	-	1,433	-	1,404	29
Angel Tree Donations	1,000	-	-	-	1,000
HEF/Morrison	-	762	-	-	762
HEF/B Black	-	1,342	-	1,342	-
	<u>153,085</u>	<u>308,272</u>	<u>-</u>	<u>301,661</u>	<u>159,696</u>



SUPPORTING SCHEDULES

**HOLDENVILLE PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2016

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Pass Through Grantor's Number</u>
<u>U.S. Department of Education Direct Programs:</u>		
Impact Aid - Title VIII	84.041	46-OK-2010-0752
Indian Education Title VII	84.060a	S060A001052
TOTAL U.S. DEPARTMENT OF EDUCATION		
<u>Passed Through State Department of Education:</u>		
Title II - Part A	84.367	N/A
Title I - Basic Program	84.010	N/A
Title VI- Part B	84.358	N/A
JOM	15.130	N/A
IDEA-B Flow Through	84.027	N/A
IDEA-B Pre-School	84.173	N/A
Rehabilitative Services	84.126	N/A
TOTAL STATE DEPARTMENT OF EDUCATION		
<u>Passed Through State Department of Vocation and Technical Education:</u>		
Carl D. Perkins	84.048	N/A
<u>Passed Through U.S. Department of Agriculture:</u>		
Child Nutrition - Breakfasts	10.553	N/A
Child Nutrition - Summer Food	10.559	N/A
Child Nutrition - Lunches	10.555	N/A
Child Nutrition - Equipment Assistance	10.579	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
<u>Passed Through U.S. Department of Human Services:</u>		
Commodity Supplemental Food Program	10.565	N/A
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES		
TOTAL FEDERAL FINANCIAL ASSISTANCE		

<u>Balance</u> <u>June 30, 2015</u>	<u>Receipts</u> <u>For Prior</u> <u>Year</u> <u>Expenditures</u>	<u>Receipts</u> <u>For Current</u> <u>Year</u> <u>Expenditures</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30,2016</u>
-	-	96,819	96,819	-
-	-	69,033	69,033	-
-	-	165,852	165,852	-
16,817	-	24,741	24,741	6
36,102	4,595	307,388	307,388	94,939
-	-	20,720	20,720	62
-	-	17,013	21,212	-
-	-	226,128	226,128	-
-	-	11,396	11,396	-
-	-	5,962	5,962	-
<u>52,919</u>	<u>4,595</u>	<u>613,348</u>	<u>617,547</u>	<u>95,007</u>
-	-	-	-	-
-	-	134,937	134,937	-
-	-	38,224	29,813	-
-	-	360,488	360,488	-
-	-	9,825	9,828	-
-	-	543,474	535,066	-
-	-	33,840	33,840	-
-	-	33,840	33,840	-
<u>52,919</u>	<u>4,595</u>	<u>1,356,514</u>	<u>1,352,305</u>	<u>95,007</u>

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**

Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2016

**Note 1:** The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Holdenville Public Schools, I-35, Hughes County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

No amounts were passed through to a subrecipient.

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

**HOLDENVILLE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-35  
HUGHES COUNTY, OKLAHOMA**  
Schedule of Accountant's Professional Liability Insurance Affidavit  
July 1, 2015 to June 30, 2016

STATE OF OKLAHOMA    )  
                                  )ss  
COUNTY OF HUGHES    )

The undersigned representative of the auditing firm listed below being of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit agreement with the Holdenville Public Schools for the audit year 2015-2016.

Johnston and Bryant, C.P.A.'S  
By *Alton Bryant*

Subscribed and sworn to before me this Dec. 29, 16.

*Cale Reimers*  
Notary Public

My commission expires 7/18/20  
Commission No. 16006896.



INDEPENDENT AUDITORS' 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

**INDEPENDENT AUDITORS' 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 Board of Education  
Holdenville School District Number I-35  
Holdenville, Hughes County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Holdenville School District Number I-35, Holdenville, Hughes County, Oklahoma(District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 6, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of the financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ada, Oklahoma  
December 6, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education  
Holdenville School District Number I-35  
Holdenville, Hughes County, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the Holdenville School District Number I-35, Holdenville, Hughes County, Oklahoma (District)'s compliance with the types of compliance requirements described in the OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we 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 we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Holdenville School District Number I-35, Holdenville, Hughes County, Oklahoma, 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, 2016.

### **Report on Internal Control Over Compliance**

Management of Holdenville School District Number I-35, Holdenville, Hughes County, Oklahoma (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 our audit of compliance, we 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ada, Oklahoma  
December 6, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HOLDENVILLE INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Modified

Internal Control over financial reporting

- Material weaknesses identified? \_\_ Yes    X No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_ Yes    X None Reported
- Noncompliance material to financial statements noted? \_\_ Yes    X No
- Findings relating to the financial statements which are required to be reported in accordance with GAGAS? \_\_ Yes    X None Reported

Federal Awards

Internal control over major programs: Unmodified

- Material weaknesses identified? \_\_ Yes    X No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_ Yes    X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance \_\_ Yes    X No

Findings and questioned costs for Federal Awards \_\_ Yes    X None Reported

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.027	IDEA – Part B Flow Thru
84.123	IDEA – Part B Pre-School
10.553	Child Nutrition - Breakfast
10.559	Child Nutrition – Summer Food
10.555	Child Nutrition - Lunches

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_ Yes    X No

**HOLDENVILLE INDEPENDENT SCHOOL DISTRICT NO. I-35**  
**HUGHES COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

Status of Prior Year Findings

There were no prior audit findings.

Current Year Findings

None