

**Notice of Sale and  
Official Statement**

**New Issue- Book Entry Only**

**\$950,000  
BUILDING BONDS  
SERIES B  
OF 2018**

**INDEPENDENT SCHOOL DISTRICT NO. 18  
CREEK COUNTY, OKLAHOMA  
(Kiefer Board of Education)**

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Date of Sale

April 24, 2018  
12:00 p.m.

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Financial Advisor

**Stephen L. Smith Corp.**  
531 East A Street, Suite 301  
Jenks, Oklahoma 74037

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy within any jurisdiction to any person to whom it is unlawful to make such offer or solicitation within such jurisdiction. In connection with the offering of these Bonds, no dealer, salesman or any other person has been authorized to give any information or to make any representation other than contained herein. If given or made, such information or representation must not be relied upon.

The information contained in the Official Statement, including the cover page hereto, has been obtained from public officials, official records and from other sources which are deemed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. The delivery of this Official Statement does not at any time imply that information contained herein is correct as of any date subsequent to its date.

Any statements contained in this Official Statement involving matters of opinion, estimation or projection, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement shall not be construed as a contract or agreement between the School District and the purchasers or holders of any of the Bonds.

THE DATE OF THIS OFFICIAL STATEMENT IS APRIL 6, 2018

**INDEPENDENT SCHOOL DISTRICT NO. 18  
CREEK COUNTY, OKLAHOMA  
(Kiefer Board of Education)**

Officers and Members of the Board of Education

JESS MCCULLOUGH, President and Member  
JOHN MEFFORD, Vice President and Member  
RANDY GREEN, Clerk and Member  
JULIE MATHIS, Member  
JASON LINNET, Member

School District Officials

MARY MURRELL, Superintendent  
LINDA CHAMBERS, Treasurer

Financial Advisor

**STEPHEN L. SMITH CORP.**  
531 East A Street, Suite 301  
Jenks, Oklahoma 74037  
Telephone: (918) 296-9980

NOTICE OF SALE OF BONDS

In accordance with Title 62, Oklahoma Statutes, 2011, Section 354, notice is hereby given that the Board of Education of Independent School District Number 18 of Creek County, Oklahoma, will receive bids by sealed bid, facsimile bid, electronic (Parity®) bid or similar secure electronic bid on the 24th day of April, 2018, at 12:00 O'Clock, P.M. at the Board Room, Administration Building, Kiefer Public Schools, 118 West Indiana, Kiefer, Oklahoma, for the sale of \$950,000 of Building Bonds Series B of said School District, which Bonds will mature \$315,000 annually in two (2) years from their date and \$315,000 annually each year thereafter until paid, except that the last installment shall be for \$320,000.

Said Bonds shall be sold to the bidder bidding the lowest rate of interest the Bonds shall bear, and agreeing to pay par and accrued interest for the Bonds. Each bidder shall submit with his bid a sum in cash, cashier's or certified check, electronic (wire) transfer or surety bond payable to the treasurer of the District, equal to two (2%) percent of the amount of his bid. The Board reserves the right to reject all bids.

WITNESS my official hand and seal this 5th day of March, 2018.

/s/ RANDY GREEN  
Clerk, Board of Education

(SEAL)

CONDITIONS OF THE SALE

**INDEPENDENT SCHOOL DISTRICT NO. 18  
CREEK COUNTY, OKLAHOMA  
(Kiefer Board of Education)**

**\$950,000 Building Bonds Series B of 2018**

PLACE AND TIME OF THE SALE

The Board of Education of Independent School District No. 18 of Creek County, Oklahoma, will receive sealed bids at the Board Room, Administration Building, Kiefer Public Schools, 118 West Indiana, Kiefer, Oklahoma, until 12:00 o'clock p.m. local time, April 24, 2018, for the sale of the \$950,000 Building Bonds Series B of 2018 ("the Bonds"), more completely described in the "Official Statement" which is a part hereof.

ADDRESS OF BIDS

Sealed bids plainly marked "Bid for Bonds" may be mailed either to "Mary Murrell, Superintendent of Schools, Kiefer Public Schools, 4600 West 151st Street South, Kiefer, Oklahoma 74041", or to the Financial Advisor at the address set out on the cover page hereof. Sealed bids must be submitted in duplicate on the Official Bid Form furnished herein.

TYPES OF BIDS AND INTEREST RATES

The Bonds will be sold in one block, all or none, and no bid of less than par and accrued interest will be considered. Bidders must specify the rate or rates of interest the Bonds will bear. However, no interest rate in excess of ten percent (10%) will be considered. Bidders shall specify the rate or rates of interest in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent per annum. Bidders are not restricted as to the number of rates that may be named, provided that the same rate shall be specified for all bonds of the same maturity.

BASIS FOR AWARD

For the purpose of awarding the Bonds, the interest cost of each bid will be computed by determining, at the rate or rates specified therein, the total of all interest on the Bonds from the date thereof to their respective maturities, and deducting therefrom the premium bid, if any. The Bonds, if sold, will be awarded to the bidder whose bid, on the basis of the above computation, produces the lowest interest cost to the School District. **THE SCHOOL DISTRICT RESERVES THE RIGHT TO REJECT ALL BIDS AND TO WAIVE ANY MINOR IRREGULARITIES.**

GOOD FAITH DEPOSIT

Each bid must be accompanied by a good faith deposit in the form of a Certified or Cashier's Check made payable to the Treasurer of the School District in the amount of two percent (2%) of the par value of the Bonds. The good faith deposit of the successful bidder will be retained by the School District to assure performance of the contract on the part of said bidder. In the event said bidder should fail or refuse to take up and pay for the Bonds in accordance with his bid, then said check will be cashed as full liquidated damages. Otherwise, said check will be returned to the purchaser upon payment for the Bonds. No interest will be allowed on said check. Checks of unsuccessful bidders will be promptly returned.

### BOOK-ENTRY ONLY BONDS

The Bonds are being issued book-entry only and a complete transcript of the legal proceedings had in connection with the issuance of the Bonds will be furnished to the purchaser at no expense.

### LEGAL OPINION

Bids may be submitted subject to the opinion of the Attorney General of the State of Oklahoma and Phillips Murrah P.C., which will be provided by the School District without cost to the purchaser.

### THE INTERNAL REVENUE CODE OF 1986

The School District anticipates that the aggregate amount of “qualified tax-exempt obligations” [as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (the “Code”)], which will be issued by the School District and all subordinate entities during calendar year 2018 will not exceed \$10,000,000, and will covenant and agree by resolution at the time of sale that, as a material inducement and consideration to the purchase of the Bonds by the successful bidder, neither it nor any subordinate entity will, during calendar year 2018, issue “qualified tax-exempt obligations” [(as defined in Section 265(b)(3)(B) of the Code)] in an aggregate amount exceeding \$10,000,000. Furthermore, the School District will designate the Bonds to be “qualified tax-exempt obligations” as defined in Section 265(b)(3)(B) of the Code, in order that the purchaser of the Bonds may avail itself of the exception contained in said Section 265(b)(3)(B) of the Code with respect to interest incurred by Financial Institutions (as that term is defined in the Code) to acquire and/or carry tax-exempt obligations.

### EXEMPTION FROM OKLAHOMA STATE INCOME TAXATION

Pursuant to Title 68, Oklahoma Statutes 2011, Section 2358.4, the Bonds issued by the School District shall be exempt from Oklahoma Income Taxation.

### NON-LITIGATION CERTIFICATE

At the time of delivery of the Bonds, the School District will execute and furnish the purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of the Bonds, or affecting the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

### THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12

The School District has prepared the accompanying Official Statement, and for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. The School District will furnish to the Purchaser or Purchasers acting through a designated senior representative, in accordance with instructions received from the Purchaser(s), within seven (7) business days from the sale date a maximum of forty (40) copies of the Official Statement including a like number of copies of a supplement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement and Supplement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser(s). The Purchaser(s) shall be responsible for providing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the sale. Except as noted above, the School District assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

### CONTINUING DISCLOSURE

The Bonds are not subject to the provisions of Rule 15(c)2-12 promulgated by the Securities and Exchange Commission regarding secondary market disclosure and consequently the School District undertakes no obligation to provide secondary market information pursuant to such continuing disclosure standards with respect to the Bonds. The School District is obligated under Oklahoma law to prepare annual financial statements and to have such financial statements audited. Copies of such financial statements, when prepared, may be obtained from the School District Treasurer: 4600 West 151<sup>st</sup> Street South, Kiefer, Oklahoma, 74041.

### CUSIP NUMBERS

CUSIP identification numbers will be printed on the Bonds if assigned by the CUSIP Service Bureau, but neither the failure to print the numbers nor any error with respect thereto shall constitute cause for refusal by the purchaser to accept delivery of the Bonds. All expenses in relation to the printing of the CUSIP Service Bureau numbers shall be paid by the School District except that the CUSIP Service Bureau charge for the assignment of numbers shall be the responsibility of and paid by the purchaser.

### DELIVERY OF BONDS

Delivery of the Bonds shall be made at any bank in Oklahoma City or Tulsa, Oklahoma, designated by the purchaser, against payment of the agreed upon purchase price. Delivery of the Bonds to the purchaser is anticipated on or about July 2, 2018.

ADDITIONAL INFORMATION MAY BE OBTAINED FROM THE FINANCIAL ADVISOR, STEPHEN L. SMITH CORP., 531 EAST A STREET, SUITE 301, JENKS, OKLAHOMA 74037, PHONE: 918-296-9980 FAX: 918-296-9902.

In the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code as amended to date and existing regulations, published rulings and court decisions, except as explained under "Tax Exemption" herein.

**NEW ISSUE- BOOK-ENTRY ONLY**

**Rating: Oklahoma Number 2**

Maximum Rate: 10%

**\$950,000 Building Bonds Series B of 2018  
INDEPENDENT SCHOOL DISTRICT NO. 18  
CREEK COUNTY, OKLAHOMA  
(KIEFER BOARD OF EDUCATION)**

**Dated: July 1, 2018**

**Due: July 1, as shown below**

The Bonds are being issued by Independent School District No. 18 of Creek County, Oklahoma (the "School District"). The Bonds are dated as of July 1, 2018. Interest on the Bonds is payable semiannually on July 1 and January 1 of each year (each an "Interest Payment Date"), commencing July 1, 2020. The Bonds will be initially issued, in fully registered form, in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the Bonds may be made in the denomination of \$5,000 or any integral multiple thereof. **Beneficial owners of the Bonds will not receive physical delivery of Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds.** So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal and interest on the Bonds will be payable by UMB Bank, N.A., Oklahoma City, Oklahoma, as initial Paying Agent and Registrar (the "Paying Agent and Registrar"), to DTC or its nominee and disbursement of such payments to DTC Participants will be the responsibility of DTC and disbursement of such payments to beneficial owners of the Bonds will be the responsibility of DTC Participants and Indirect Participants. No physical delivery of the Bonds will be made to the owners thereof. (see "The Bonds- Book-Entry-Only System" herein).

The Bonds are not callable prior to their stated maturities.

The School District has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, as described herein.

The proceeds from the Bonds will be used to construct, equip and furnish Phase VIII of a new Multi-Purpose Facility to Include but not be limited to lighting fixtures and equipment; security equipment; carpet and tile; interior painting and fixtures.

The Bonds are direct and general obligations of the School District and are payable as to principal and interest from ad valorem taxes which are required to be levied on all taxable property within the School District, without limitation as to rate or amount.

MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>
7/1/2020	\$315,000	%	%
7/1/2021	\$315,000		
7/1/2022	\$320,000		

This cover page contains only a brief description of the Bonds and the security therefore. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as and if issued by the School District, and subject to the approving opinion of Bond Counsel as to validity and tax exemption. It is expected that the Bonds will be available for delivery on or about July 2, 2018.*

**FINANCIAL ADVISOR  
STEPHEN L. SMITH CORP.  
Jenks, Oklahoma**



PURPOSE OF THE BOND ISSUE

The proceeds of the Building Bonds will be used for the following purposes and in the respective amounts shown:

Construct, equip and furnish Phase VIII of a new Multi-Purpose Facility to include but not be limited to lighting fixtures and equipment; security equipment; Carpet and tile; interior painting and fixtures	<u>\$950,000.00</u>
TOTAL:	\$950,000.00

AUTHORITY FOR THE ISSUANCE OF BONDS

Political subdivisions in the State of Oklahoma must have authorization from the voters of such political subdivisions in order to become indebted for either a period of time beyond one year or for an amount in excess of the income and revenue provided for such year.

The Bonds were authorized to be issued at a special election held in the School District for such purpose on December 8, 2009. The Bonds are being issued pursuant to the provisions of Article X, Section 26 of the Oklahoma Constitution, as amended, and Title 70, Article 15, Oklahoma Statutes 2011, and laws of the State of Oklahoma supplementary thereto. All existing indebtedness of the School District has been issued pursuant to Article X, Section 26 of the Oklahoma Constitution.

Under Article X, Section 26, political subdivisions issuing bonds under such section may issue obligations in a total amount such that the total aggregate net indebtedness (including judicial judgments) shall not exceed 10% of the net assessed valuation of the taxable property therein; provided that three-fifths of the voters voting in an election held for such purpose shall approve the issuance of such obligations.

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds, in the opinion of Bond Counsel, will be direct and general obligations of the School District and will be payable from ad valorem taxes which may be levied WITHOUT LIMITATION AS TO RATE OR AMOUNT on all taxable property within the School District to pay the principal of and interest on the Bonds when due.

Ad valorem taxes for the Bonds shall be levied annually beginning in Fiscal Year 2018-2019, shall become delinquent one-half on January 1 and one-half on April 1 of each year, and are required to be collected by the County Treasurer, apportioned and paid over to the School District Treasurer, and then deposited directly and only into the Sinking Fund of the School District. IN NO EVENT MAY SUCH AD VALOREM TAXES BE DEPOSITED INTO THE GENERAL FUND OR ANY FUND OF THE SCHOOL DISTRICT OTHER THAN THE SINKING FUND.

As previously stated, the Bonds are payable from ad valorem taxes on the taxable property within the School District including real, personal and public service property, and any other monies available for such purpose. Real and personal property in the School District is currently assessed at a rate of approximately 11% of estimated full market value. The Oklahoma State Tax Commission determines public service property assessments, and currently the assessment ratio is approximately 22.85% of estimated full market value. Pursuant to Oklahoma statutes, County Assessors are required to reassess property within the County at least once each five years. The School District is required to pay its proportionate share of the cost of such reassessment.

Ad valorem tax rates for Sinking Fund purposes are determined by ascertaining the actual dollars of revenues required for payment of principal and interest on indebtedness, fees to fiscal and paying agents and judicial judgments. Such total amount may be reduced by any surplus from the prior fiscal year and any contributions made into the Sinking Fund. To the resulting net requirements a reserve for delinquent taxes, in an amount of not less than 5% nor more than 20% of the net required tax collection, shall be added to the required collections. Such final total requirements shall then be divided by the total net assessed valuation of all real, personal and public service property in order to determine the appropriate tax rate for each property owner.

One hundred percent (100%) of the School District's Sinking (Debt Service) Fund revenues come from locally collected ad valorem taxes. None of these ad valorem taxes are collected or disbursed by the State of Oklahoma. Furthermore, as stated above, Sinking Fund taxes are collected by the County Treasurers of the counties in which the School District is located, apportioned by the County Treasurers, and paid over to the School District Treasurer and cannot, by Oklahoma Law, be placed in any fund of the School District other than the Sinking Fund. They may be used only for the payment of principal of and interest on indebtedness of the School District.

### TAX LEVY AND COLLECTION PROCEDURES

Oklahoma statutes require that the School District each year make an ad valorem tax levy for a Sinking Fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following fiscal year.

After review and approval by the Board of Education, copies of the Sinking Fund Estimates are submitted to the County Excise Board to determine the ad valorem tax levy and appropriations. This submission is required to be made by July 20 of each year. The estimates are for the purposes of determining the ad valorem tax required to fund general operations and the Sinking Fund. The amounts contained in the Estimate of Needs are verified by the County Excise Board and, upon verification, the levies contained therein are ordered to be certified to the County Assessor in order that the County Assessor may extend said levies upon the tax rolls for the year for which the Estimate of Needs is submitted. The County Excise Board further certifies that the appropriations contained in the Estimate of Needs and the millage rates are within the limitations provided by law. While the County Excise Board may make recommendations with respect to the levy request, it only has the authority to change the reserve for delinquent taxes.

The County Assessor is required to file a tax roll report on or before October 1 of each year with the County Treasurer indicating the net assessed valuation for each municipality within the County. This report includes the assessed valuation for all real, personal and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). The County Treasurer has fifteen (15) days after receipt of the tax roll report to start collecting taxes. The first half of taxes is due and payable on November 1 of each year. The second half is due and payable on or before April 1 of each year. However, if the first half is not paid by January 1, both first and second half are declared delinquent as of January 1. If the first half taxes are paid in a timely manner and the second half taxes are not paid on or before April 1, the taxes are considered delinquent. Interest accrues on delinquent taxes at the rate of 1.5% monthly (18% annually), to a maximum of 100% of the taxes due and owing, until such time as the delinquent taxes are paid. In the event taxes and accrued interest are not paid, the property is sold at tax sale on October 1 and the purchaser is issued a certificate of ownership; however, the original owner of the property has two (2) years in which to redeem the property by paying the taxes, interest and penalties owed. If, at the end of two years the original owner has not done so, the purchaser is issued a deed to the property.

COMPLIANCE WITH CONSTITUTIONAL DEBT LIMITATION

(As of June 30, 2017)

The current, abbreviated financial statement of the School District revised from that officially filed with the State of Oklahoma as of June 30, 2017, is shown below:

Estimated Full Market Value:	\$	373,793,900.90
ASSESSED VALUE, Including Homestead Exemptions:	\$	42,130,822.00
ASSESSED VALUE, Excluding Homestead Exemptions:	\$	41,306,295.00
Outstanding General Obligation Bonded Indebtedness (including the Bonds)	\$	4,615,000.00
<u>Less: Current Sinking Fund Balance</u>	<u>\$</u>	<u>1,026,759.15</u>
Net General Obligation Bonded Indebtedness:	\$	3,588,640.85
Ratio of Net General Obligation Bonded Indebtedness to Net Assessed Valuation:		8.69%
Approximate Area of the School District:		17 square miles
Approximate Population of the School District:		3,745 people
Per Capita Net Indebtedness:		\$958.25 per person

PAYMENT RECORD

The School District has no default of record.

SCHEDULE OF OUTSTANDING INDEBTEDNESS  
(Including the Bonds)

Date of Issue	Original Principal Amount	Remaining Maturities	Maturity Date	Total Outstanding
7/1/2018	\$950,000	\$ 315,000 \$ 320,000	7/1/2020-2021 7/1/2022	\$ 950,000
6/1/2018	\$300,000	\$ 300,000	6/1/2020	\$ 300,000
7/1/2017	\$960,000	\$ 240,000	7/1/2019-2022	\$ 960,000
6/1/2017	\$300,000	\$ 300,000	6/1/2019	\$ 300,000
4/1/2016	\$620,000	\$ 155,000	4/1/2019-2021	\$ 465,000
7/1/2015	\$220,000	\$ 75,000	7/1/2018-2019	\$ 150,000
4/1/2015	\$900,000	\$ 100,000	4/1/2019-2025	\$ 700,000
6/1/2014	\$900,000	\$ 260,000	6/1/2018-2019	\$ 520,000
7/1/2013	\$1,050,000	\$ 270,000	7/1/2018	\$ 270,000
Total Outstanding Indebtedness				\$ 4,615,000

ESTIMATED SCHEDULED PRINCIPAL AND INTEREST PAYMENTS  
(Including the Bonds)

Fiscal Year Ending 6-30	Maturing Principal-All Bonds	Interest Due All Bonds*	Total Principal and Interest - All Bonds
2018	\$ 260,000.00	\$ 7,295.00	\$ 267,295.00
2019	\$ 1,160,000.00	\$ 37,146.25	\$ 1,197,146.25
2020	\$ 870,000.00	\$ 61,317.50	\$ 931,317.50
2021	\$ 810,000.00	\$ 98,227.50	\$ 908,227.50
2022	\$ 655,000.00	\$ 30,272.50	\$ 685,272.50
2023	\$ 660,000.00	\$ 13,700.00	\$ 673,700.00
2024	\$ 100,000.00	\$ 4,250.00	\$ 104,250.00
2025	<u>\$ 100,000.00</u>	<u>\$ 2,250.00</u>	<u>\$ 102,250.00</u>
Totals	\$ 4,615,000.00	\$ 254,458.75	\$ 4,869,458.75

\*Assumes 3.50% interest on the Bonds.

ESTIMATED SCHEDULED SINKING FUND LEVIES TO RETIRE BONDS  
(Including the Bonds)

Fiscal Year Ending 6/30	Principal Levy- All Bonds	Interest Levy All Bonds*°	Total Levy - All Bonds
2019	\$ 967,333.33	\$ 66,747.08	\$ 1,034,080.41
2020	\$ 970,666.67	\$ 99,398.13	\$ 1,070,064.80
2021	\$ 770,666.67	\$ 40,326.25	\$ 810,992.92
2022	\$ 646,666.66	\$ 22,525.00	\$ 669,191.66
2023	\$ 90,000.00	\$ 5,652.50	\$ 95,562.50
2024	\$ 90,000.00	\$ 3,750.00	\$ 93,750.00
2025	\$ 90,000.00	\$ 1,687.50	\$ 91,687.50
Total	\$ 3,625,333.33	\$ 239,996.46	\$ 3,865,329.79
	ADD: SINKING FUND BALANCE		<u>\$ 1,026,759.15</u>
	TOTAL		\$ 4,892,088.94

\* Does not include levies for judgments or reserve for uncollected taxes.

° Assumes 3.50% interest on the Bonds.

OVERLAPPING AND UNDERLYING INDEBTEDNESS  
(As of June 30, 2017)

Municipality	Net Debt	Amount Applying to School District	Ratio to Assessed Value of S.D.	Per Capita Debt
Creek County	\$0	\$0	n/a	\$0
City of Kiefer	\$196,481	\$196,481	0.47%	\$52.46

COMPOSITION AND GROWTH OF THE NET ASSESSED VALUATION

The composition of the Net Assessed Valuation of the School District for the Fiscal Year 2017-2018 is as follows:

Property	Creek County	Total	Percentage to Assessed Valuation
Gross Real	\$ 21,387,627	\$ 21,387,627	
Homestead	\$ 824,527	\$ 824,527	
Net Real Estate	\$ 20,563,100	\$ 20,563,100	49.78%
Personal	\$ 18,788,907	\$ 18,788,907	43.49%
Public Service	\$ 1,954,288	\$ 1,954,288	4.73%
Gross Valuation	\$ 42,130,822	\$ 42,130,822	
Net Valuation	\$ 41,306,295	\$ 41,306,295	

The growth of the Net Assessed Valuation for the past ten years has been as follows:

Fiscal Year	Valuation	Fiscal Year	Valuation
2017-2018	\$ 41,306,295	2012-2013	\$ 25,375,398
2016-2017	\$ 37,517,685	2011-2012	\$ 21,141,948
2015-2016	\$ 34,598,884	2010-2011	\$ 20,363,327
2014-2015	\$ 27,976,920	2009-2010	\$ 18,426,141
2013-2014	\$ 31,057,355	2008-2009	\$ 16,953,218

SINKING FUND TAX COLLECTIONS

Fiscal Year	Total Tax Levy	Current Collection	Percentage Collected	Total Collections	Total Percentage Collected
2017-2018	\$ 959,043	in progress	n/a	in progress	n/a
2016-2017	\$ 883,892	\$ 823,029	93.11%	\$ 865,547	97.92%
2015-2016	\$ 727,570	\$ 637,225	87.58%	\$ 692,442	95.17%
2014-2015	\$ 766,729	\$ 729,762	95.18%	\$ 747,860	97.54%
2013-2014	\$ 560,346	\$ 532,602	95.05%	\$ 541,923	96.71%
2012-2013	\$ 503,751	\$ 504,665	100.18%	\$ 522,188	103.66%
2011-2012	\$ 505,794	\$ 495,662	98.00%	\$ 539,779	106.72%
2010-2011	\$ 467,706	\$ 452,504	96.75%	\$ 483,226	103.32%
2009-2010	\$ 429,556	\$ 409,857	95.41%	\$ 421,130	98.04%
2008-2009	\$ 400,002	\$ 383,747	95.94%	\$ 389,747	97.44%

TREND OF TAX RATES OF MAJOR TAXING UNITS

Fiscal Year	Kiefer School District	City of Kiefer	Creek County	Vo-Tech District	Total Levy
2017-2018	\$67.25	\$ 1.92	\$ 16.93	\$13.26	\$99.36
2016-2017	\$67.59	\$ 2.25	\$ 16.93	\$13.26	\$100.03
2015-2016	\$65.06	\$ 2.52	\$ 17.92	\$13.26	\$98.76
2014-2015	\$71.36	\$ 5.18	\$ 18.22	\$13.34	\$108.10
2013-2014	\$62.07	\$ 5.13	\$ 17.14	\$13.26	\$97.60
2012-2013	\$63.78	\$ 6.38	\$ 16.93	\$13.26	\$100.35
2011-2012	\$67.95	\$ 1.88	\$ 18.76	\$13.26	\$101.85
2010-2011	\$67.00	\$ 2.05	\$ 18.94	\$13.26	\$101.25
2009-2010	\$67.34	\$ 2.47	\$ 19.18	\$13.26	\$102.25
2008-2009	\$67.62	\$ 2.97	\$ 17.62	\$13.26	\$101.47

\*Expressed in dollars per \$1,000 of net assessed valuation

**Largest Ad Valorem Taxpayers  
(Based on Net Assessed Valuation 2017-2018)**

<u>Name</u>	<u>Type of Business</u>	<u>NAV</u>
Paragon Industries	Manufacturing	\$9,523,484
DCP Midstream LP	Oil & Gas Industry	\$1,842,876
Rover Pipeline LLC	Pipeline	\$1,548,551
Coxcom LLC	Communications	\$1,543,986
Tulsa Rig Iron Inc.	Iron Manufacturing	\$1,341,226
Williams MSP Operating	Oil and Gas Industry	\$1,336,911
Bidell Equipment	Natural Gas Industry	\$1,117,116
Kelvion Heat Exchangers	Oil & Gas Industry	\$954,644
Valerus Field Solutions	Oil & Gas Industry	\$767,677
Edgen Murray Corp.	Oil & Gas Industry	\$651,661

INDEPENDENT SCHOOL DISTRICT NO. 18 CREEK COUNTY, OKLAHOMA

Kiefer Public Schools serves the City of Kiefer (population: 1,200) and the surrounding rural communities. The School District encompasses approximately seventeen (17) square miles and is located approximately 15 miles south of Tulsa, Oklahoma. It contains single and multi-family housing, farming and ranching activities, and light manufacturing.

The School District currently employs 55 certified teachers and has an enrollment of 814, resulting in a teacher-student ratio of 1:14. The School District operates three (3) regular school bus routes, transporting approximately 40% of the enrollment daily. The School District is fully accredited by the Oklahoma State Department of Education.

RECORD DATE

The record date shall be defined as the fifteenth (15<sup>th</sup>) day preceding any interest payment date.

NO RATINGS

Neither the School District nor the Financial Advisor has obtained, nor do they plan to obtain, a rating of the Bonds by any rating agency other than the Municipal Rating Committee of Oklahoma, Inc.

UNDERWRITING

The Bonds have been sold at public sale by the School District to the Underwriters, and the Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds. The successful proposal for the Bonds was submitted by \_\_\_\_\_ as representative of the Underwriters.



## LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or proceedings and authority under which the Bonds are to be issued. There is no litigation pending which in any manner questions the right of the School District to construct or finance the proposed improvements.

## APPROVAL OF LEGALITY

All matters incident to the authorization and issuance of the bonds are subject to the approval of the Attorney General of the State of Oklahoma and to the approval of Phillips Murrah P.C., as Bond Counsel. Bond Counsel has not participated in the preparation of the Official Statement. Accordingly, Bond Counsel has no responsibility for the accuracy, sufficiency or completeness of any information furnished in connection with any offer or sale of the Bonds.

## TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, published rulings and court decisions, interest on the Bonds is excludable from the gross income of the owners of the Bonds for Federal income tax purposes. In expressing their opinion that interest on the Bonds is excludable from the gross income of the owners of the Bonds, Bond Counsel will rely on the School District's No-Arbitrage Certificate and will assume compliance by the School District with certain covenants of the School District with respect to the use and investment of the proceeds of the Bonds. Failure by the School District to comply with these covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds. Except as stated above with respect to the exclusion of the interest on the Bonds from gross income, Bond Counsel expresses no opinion as to any other Federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds.

The law upon which Bond Counsel have based their opinion is subject to change by the Congress and Department of the Treasury and to subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

The District covenants to not use the proceeds of this bond for anything that would result in the loss of the tax-exempt status of the bonds.

For taxable years beginning after 1986, a portion of the interest on the Bonds will be includable as an adjustment for book income or adjusted earnings and profits to calculate alternative minimum tax imposed on corporations by Section 55 of the Internal Revenue Code of 1986 (the "Code"), and for purposes of the environmental tax imposed on corporations by Section 59A of the Code. In addition, certain foreign corporations doing business in the United States may be subject to the new "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Bonds. Furthermore, in the case of a Subchapter S Corporation, interest on the Bonds is treated as passive investment income which is subject to the tax imposed by Section 1375 of the Code.

The Code includes as an individual and corporate alternative minimum tax preference item, the interest on certain "private activity bonds" issued after August 7, 1986. In the opinion of Bond Counsel, the Bonds are not "private activity bonds" and the interest on the Bonds is not an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Code. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt

obligations. Prospective purchasers falling within any of these categories should consult their own tax advisers as to the applicability of these consequences.

Pursuant to Title 68, Oklahoma Statutes 2011, Section 2358.5, the Bonds issued by the School District shall be exempt from Oklahoma Income Taxation.

### QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265 of the Internal Revenue Code of 1986 provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to acquire or carry tax-exempt obligations (other than "private activity bonds") which are designated by an issuer as 'qualified tax-exempt obligations' where not more than \$10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued. The School District expects to designate the Bonds as "qualified tax-exempt obligations". Furthermore, the School District will represent that it has or will take such action as is necessary for the Bonds to constitute "qualified tax-exempt obligations".

### REGISTRATION AND TRANSFER

Bonds presented to the Registrar for transfer after the close of business on a Record Date, defined as the fifteenth (15<sup>th</sup>) day preceding any interest payment due, and before the close of business on the next subsequent Interest Payment Date will be registered in the name of the transferee but the interest payment will be made to the registered owners shown on the books of the Registrar as of the close of business on the Record Date.

The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depositor Trust Company ("DTC") New York, New York, which will act as securities depository for the Bonds. Principal and interest on the Bonds will be paid by the Paying Agent and Registrar to DTC. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described in the section titled "Book-Entry System."

### BOOK-ENTRY-ONLY SYSTEM

The information in this section, "Book-Entry System", has been furnished by The Depository Trust Company. No representation is made by the School District as to the completeness or accuracy of such information. The School District shall have no responsibility or obligation to DTC Participants, Indirect Participants or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate amount of each such maturity, and will be deposited with DTC at the office of the Paying Agent and Registrar on behalf of DTC utilizing the DTC FAST system of registration.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities

transactions, such as transfer and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.**

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC (or the Paying Agent and Registrar on behalf of DTC utilizing the DTC FAST system of registration) are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC (or the Paying Agent and Registrar on behalf of DTC utilizing the DTC FAST system of registration) and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, who may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participant to Beneficial Owners will be governed by arrangements among them, subject to an statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made by the Paying Agent and Registrar to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Agent, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the issuer or the Agent. Under such circumstances, the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The School District may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

*Use of Certain Terms in other Sections of the Official Statement.* In reading this Official Statement it should be understood that while the Bond certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statement have been or will be realized. Information in this Official Statement has been derived by the School District from official and other sources and is believed by the School District to be accurate and reliable. Information other than that obtained from official records of the School District has not been independently confirmed or verified by the School District and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be construed as or as a part of a contract with the original purchasers or subsequent owners of the Bonds.

INDEPENDENT SCHOOL DISTRICT NUMBER 18  
CREEK COUNTY, OKLAHOMA

/s/ JESS MCCULLOUGH  
President, Board of Education

ATTEST:

/s/ RANDY GREEN  
Clerk, Board of Education

**FINANCIAL STATEMENTS – REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**KIEFER INDEPENDENT SCHOOL DISTRICT NO. 1-18,  
CREEK COUNTY, OKLAHOMA**

**JUNE 30, 2017**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**BROKEN ARROW, OK**

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2017

**BOARD OF EDUCATION**

**President**

Jess McCullough

**Vice-President**

John Mefford

**Clerk**

Randy Green

**Member**

Julie Mathis

**Member**

Danny Phillips

**SUPERINTENDENT OF SCHOOLS**

Mary Murrell

**SCHOOL DISTRICT TREASURER**

Linda Chambers

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
JUNE 30, 2017

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INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
JUNE 30, 2017

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### INDEPENDENT AUDITOR'S REPORT

November 28, 2017

The Honorable Board of Education  
Kiefer School District Number I-18  
Kiefer, Creek County, Oklahoma

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

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Kiefer School District Number I-18, Kiefer, Creek County, Oklahoma (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education to meet 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 District, 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 reasonable 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 District as of June 30, 2017, 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 by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

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

In our opinion, except for the effects of the matter described in the “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 balance arising from regulatory basis transactions of each fund type and account group of the District, 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**

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, and is also not a required part of the basic financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 November 28, 2017 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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

Broken Arrow, OK



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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**

November 28, 2017

The Honorable Board of Education  
Kiefer School District Number I-18  
Kiefer, Creek 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 Kiefer School District Number I-18, Kiefer, Creek County, Oklahoma (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2017, 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 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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, non-compliance with which could have a direct and material effect on the determination of financial statements 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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

Broken Arrow, OK

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND MATERIAL  
INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2017

There were no prior year significant deficiencies.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
SCHEDULE OF AUDIT RESULTS  
JUNE 30, 2017

**Section 1** – Summary of Auditor’s Results:

1. An adverse opinion was issued on the combined financial statements in conformity with generally accepted accounting principles, and a qualified opinion was issued for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS:

None

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2017

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS AND AGENCY FUNDS	GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash	\$ 1,090,578	74,870		300,000	193,594		1,659,042
Amounts available in debt service			368,416			289,709	658,125
Amount to be provided for retirement of long-term debt						7,785,356	7,785,356
Total Assets	<u>\$ 1,090,578</u>	<u>74,870</u>	<u>368,416</u>	<u>300,000</u>	<u>193,594</u>	<u>8,075,065</u>	<u>10,102,523</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants payable	\$ 136,147	6,293		74,776	741		217,957
Funds held for school organizations					84,070		84,070
Long-term debt:							
Capital leases						4,590,065	4,590,065
Bonds payable						3,485,000	3,485,000
Total liabilities	<u>136,147</u>	<u>6,293</u>	<u>0</u>	<u>74,776</u>	<u>84,811</u>	<u>8,075,065</u>	<u>8,377,092</u>
Fund Balance:							
Restricted		68,577	368,416	225,224	108,783		771,000
Unassigned	954,431						954,431
Fund balance	<u>954,431</u>	<u>68,577</u>	<u>368,416</u>	<u>225,224</u>	<u>108,783</u>	<u>0</u>	<u>1,725,431</u>
Total Liabilities and Fund Balance	<u>\$ 1,090,578</u>	<u>74,870</u>	<u>368,416</u>	<u>300,000</u>	<u>193,594</u>	<u>8,075,065</u>	<u>10,102,523</u>

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



INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 - ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST FUNDS	
Revenues Collected:						
Local sources	\$ 1,473,902	284,587	865,546		96,837	2,720,872
Intermediate sources	123,919					123,919
State sources	2,806,255	2,514				2,808,769
Federal sources	276,152	166,303				442,455
Interest earnings	10,116		339			10,455
Non-revenue receipts	61,622				3,624	65,246
Total revenues collected	<u>4,751,966</u>	<u>453,404</u>	<u>865,885</u>	<u>0</u>	<u>100,461</u>	<u>6,171,716</u>
Expenditures:						
Instruction	2,962,855				93,177	3,056,032
Support services	1,390,913	222,374		2,611	10,083	1,625,981
Operation of non-instructional services	196,252	165,264				361,516
Facilities acquisition & construction services				74,776		74,776
Other outlays:						
Debt service requirements			787,178	620,000		1,407,178
Reimbursements		60,000				60,000
Correcting entry	1,600					1,600
Other uses					300	300
Total expenditures	<u>4,551,620</u>	<u>447,638</u>	<u>787,178</u>	<u>697,387</u>	<u>103,560</u>	<u>6,587,383</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	200,346	5,766	78,707	772,335	(3,099)	(415,667)
Other financing sources (uses):						
Adjustments to prior year encumbrances	4,266				59	4,325
Bond sale proceeds				300,000		300,000
Sub-total	<u>4,266</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>59</u>	<u>304,325</u>
Excess of revenues collected over (under) expenditures	204,612	5,766	78,707	(397,387)	(3,040)	(111,342)
Cash fund balances, beginning of year	<u>749,819</u>	<u>62,811</u>	<u>289,709</u>	<u>622,611</u>	<u>111,822</u>	<u>1,836,772</u>
Cash fund balances, end of year	<u>\$ 954,431</u>	<u>68,577</u>	<u>368,416</u>	<u>225,224</u>	<u>108,782</u>	<u>1,725,430</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 1,222,053	1,222,053	1,473,902	251,849
Intermediate sources	103,020	103,020	123,919	20,899
State sources	2,604,478	2,604,478	2,806,255	201,777
Federal sources	288,180	288,180	276,152	(12,028)
Interest earnings	41,304	41,304	10,116	(31,188)
Non revenue receipts			61,622	61,622
Total revenues collected	4,259,035	4,259,035	4,751,966	492,931
Expenditures:				
Instruction	2,962,855	2,962,855	2,962,855	
Support services	1,390,913	1,390,913	1,390,913	
Operation of non-instructional services	196,252	196,252	196,252	
Other outlays:				
Reimbursement				
Correcting entry	1,600	1,600	1,600	
Unbudgeted	457,234	457,234		457,234
Total expenditures	5,008,854	5,008,854	4,551,620	457,234
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(749,819)	(749,819)	200,346	950,165
Other financing sources (uses):				
Adjustments to prior year encumbrances	0	0	4,266	4,266
Excess of revenues collected over (under) expenditures	(749,819)	(749,819)	204,612	954,431
Cash fund balance, beginning of year	749,819	749,819	749,819	0
Cash fund balance, end of year	\$ 0	0	954,431	954,431

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

SPECIAL REVENUE FUNDS

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 225,394	225,394	284,587	59,193
State sources	2,453	2,453	2,514	61
Federal sources	144,411	164,452	166,303	1,851
Interest earnings	5,902	5,902		(5,902)
Total revenues collected	<u>378,160</u>	<u>398,201</u>	<u>453,404</u>	<u>55,203</u>
Expenditures:				
Support services	222,374	222,374	222,374	
Operation of non-instructional services	150,552	170,593	165,264	5,329
Other outlays:				
Reimbursements	35,000	35,000	60,000	(25,000)
Correcting entries				
Unbudgeted	33,045	33,045		33,045
Total expenditures	<u>440,971</u>	<u>461,012</u>	<u>447,638</u>	<u>13,374</u>
Excess of revenues collected over (under) expenditures	(62,811)	(62,811)	5,766	68,577
Cash fund balances, beginning of year	<u>62,811</u>	<u>62,811</u>	<u>62,811</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>68,577</u>	<u>68,577</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 841,802	865,546	23,744
Interest earnings		339	339
Total revenues collected	<u>841,802</u>	<u>865,885</u>	<u>24,083</u>
Requirements:			
Bonds	794,833	740,000	54,833
Coupons	45,613	43,278	2,335
Agent fees		3,900	(3,900)
Total requirements	<u>840,446</u>	<u>787,178</u>	<u>53,268</u>
Excess of revenue collected over (under) expenditures	1,356	78,707	77,351
Cash fund balance, beginning of year	<u>122,653</u>	<u>289,709</u>	<u>167,056</u>
Cash fund balance, end of year	<u>\$ 124,009</u>	<u>368,416</u>	<u>244,407</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Kiefer Public Schools Independent District, No. I-18 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

**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 five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

A. Reporting Entity – cont'd

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. Measurement Focus

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

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

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

**Governmental Fund Types**

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

B. Measurement Focus - cont’d

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds. The district did not maintain a co-op fund during the 2016-17 fiscal year.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund – The debt service fund is the District’s sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects 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.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

B. Measurement Focus – cont’d

**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. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The District maintained two gifts and endowments funds during the 2016-17 fiscal year.

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

Agency Fund – The agency fund is the school activities fund which is used to account for monies collected principally through the fundraising efforts of 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**

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.



INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

B. Measurement Focus – cont’d

**Memorandum Only - Total Column**

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

C. Basis of Accounting and Presentation – cont’d

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31, for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

The District added the following appropriations during the 2016-17 fiscal year:

<u>Fund</u>	<u>Amount</u>
Child Nutrition	\$20,041

This amendment was approved by the County Excise Board.

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. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

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

Cash and cash equivalents – The District considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

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

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department 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.

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

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. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

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).

Amount 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.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

E. Assets, Liabilities and Fund Equity – cont’d

*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 include 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 purposes 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.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District’s general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls 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 is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, 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. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to Districts in amounts that differ in proportion to those which are collected within such systems.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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

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

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

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

**F. Revenue and Expenditures – cont’d**

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

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

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

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

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

**F. Revenue and Expenditures – cont’d**

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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no interfund transfers made during the 2016-17 fiscal year.

**2. CASH AND INVESTMENTS**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District’s cash deposits and investments at June 30, 2017, were \$2,031,260, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District’s name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument 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.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.



INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

**2. CASH AND INVESTMENTS – cont'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.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

*Concentration of Investment Credit Risk* – The District places no limit on the amount it may invest in any one issuer.

**3. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2017.

**4. GENERAL LONG-TERM DEBT**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District’s voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of general obligation bonds payable and capital leases. Debt service requirements for bonds and judgments are payable solely from the fund balance and the future revenues of the debt service fund.

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

	Bonds Payable	Capital Leases	Total
Balance, July 1, 2016	\$ 3,485,000	4,590,065	8,075,065
Additions	300,000	73,000	373,000
Retirements	(745,000)	(347,554)	(1,092,554)
Balance, June 30, 2017	<u>\$ 3,040,000</u>	<u>4,315,511</u>	<u>7,355,511</u>

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

**4. GENERAL LONG-TERM DEBT – cont'd**

A brief description of the outstanding long-term debt at June 30, 2017 is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2012, original issue \$200,000, interest rate of 0.85% to 1.30%, due in annual installments of \$50,000, final payment of \$50,000 due 7-01-17	\$ 50,000
Building Bonds, Series 2013, original issue \$1,050,000, interest rate of .7% to .75%, due in annual installments of \$260,000, final payment of \$270,000 due 7-01-18	530,000
Building Bonds, Series 2014, original issue \$900,000, interest rate of 1.00% to 1.15%, due in annual installments of \$260,000, final payment of \$260,000 due 6-01-19	520,000
Combined Purpose Bonds, Series 2017, original issue \$900,000, interest rate of 1.125% to 2.5%, due in annual installments of \$100,000, final payment of \$100,000 due 4-01-25	800,000
Building Bonds, Series 2017, original issue \$300,000, interest rate of 1.50%, due in one installment of \$300,000, final payment of \$300,000 due 6-01-19	300,000
Building Bonds, Series 2015, original issue \$220,000, interest rate of 1.45%, due in annual installments of \$75,000, final payment of \$75,000 due 7-01-19	220,000

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**4. GENERAL LONG-TERM DEBT – cont'd**

Building Bonds, Series 2015, original issue  
\$620,000, interest rate of 1.50%, due in  
annual installments of \$155,000, final  
payment of \$155,000 due 4-01-21 \$ 620,000

Capital Leases:

Lease purchase for a land and equipment, dated  
6-28-17, totaling \$73,000, 3.00%, due in  
annual payments of \$15,940, with a final  
payment of due 6-28-22 73,000

Lease purchase with for various building projects,  
dated 7-1-10, totaling \$5,864,000, due in  
annual principal and interest payments of varying  
amounts, with a final payment due 8-15-21  
(Refinanced in 2017) 4,242,511

Total Long-Term Debt \$ 7,355,511

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,747,838	162,627	1,910,465
2019	2,027,165	128,412	2,155,577
2020	1,046,900	89,382	1,136,282
2021	917,354	64,661	982,015
2022	1,316,254	42,186	1,358,440
Thereafter	<u>300,000</u>	<u>12,500</u>	<u>312,500</u>
Total	<u>\$ 7,355,511</u>	<u>499,768</u>	<u>7,855,279</u>

Interest paid on general long-term debt incurred during the 2016-17 fiscal year totaled \$159,937.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**5. 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 the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2016-17 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 8.25%.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Annual Pension Cost

The District's total contributions for 2017, 2016 and 2015 were \$388,586, \$369,480, and \$350,493, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2017. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information. GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements. The amount of calculated pension liability for the District at June 30, 2016 (the latest information available) was \$4,744,202.

**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. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School 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 it 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 school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

**6. RISK MANAGEMENT** – cont'd

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its 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 its account, it will be liable for the excess.

**7. CONTINGENCIES**

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2016-17 fiscal year. The revised Uniform Guidance Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$750,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 JUNE 30, 2017

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 54,536	20,334	74,870
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants payable	\$ 6,243	50	6,293
Fund Balance:			
Restricted	48,293	20,284	68,577
Total Liabilities and Fund Balance	\$ 54,536	20,334	74,870

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:			
Local sources	\$ 221,794	62,793	284,587
State sources		2,514	2,514
Federal sources		166,303	166,303
Total revenues collected	<u>221,794</u>	<u>231,610</u>	<u>453,404</u>
Expenditures:			
Support services	222,374		222,374
Operation of non-instructional services		165,264	165,264
Other outlays:			
Reimbursement		60,000	60,000
Total expenditures	<u>222,374</u>	<u>225,264</u>	<u>447,638</u>
Excess of revenues collected over (under) expenditures	(580)	6,346	5,766
Cash fund balances, beginning of year	<u>48,873</u>	<u>13,938</u>	<u>62,811</u>
Cash fund balances, end of year	<u>\$ 48,293</u>	<u>20,284</u>	<u>68,577</u>



INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 174,628	174,628	221,794	\$ 50,766	50,766	62,793
State sources				2,453	2,453	2,514
Federal sources				144,411	164,452	166,303
Interest earnings	5,902	5,902				
Total revenues collected	<u>180,530</u>	<u>180,530</u>	<u>221,794</u>	<u>197,630</u>	<u>217,671</u>	<u>231,610</u>
Expenditures:						
Support services	222,374	222,374	222,374			
Operation of non-instructional services				150,552	170,593	165,264
Other outlays:						
Reimbursement				35,000	35,000	60,000
Unbudgeted	7,029	7,029		26,016	26,016	
Total expenditures	<u>229,403</u>	<u>229,403</u>	<u>222,374</u>	<u>211,568</u>	<u>231,609</u>	<u>225,264</u>
Excess of revenues collected over (under) expenditures	(48,873)	(48,873)	(580)	(13,938)	(13,938)	6,346
Cash fund balances, beginning of year	<u>48,873</u>	<u>48,873</u>	<u>48,873</u>	<u>13,938</u>	<u>13,938</u>	<u>13,938</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>48,293</u>	<u>\$ 0</u>	<u>0</u>	<u>20,284</u>

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS  
 JUNE 30, 2017

	<u>BOND 31 FUND</u>	<u>BOND 32 FUND</u>	<u>BOND 33 FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 300,000	0	0	300,000
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 74,776	0	0	74,776
Fund Balance:				
Restricted	225,224	0	0	225,224
Total Liabilities and Fund Balance	\$ 300,000	0	0	300,000

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	BOND 31 FUND	BOND 32 FUND	BOND 33 FUND	TOTAL
Revenues Collected:	\$ 0	0	0	0
Expenditures:				
Support services	974	1,509	128	2,611
Facilities acquisition & construction services	74,776			74,776
Other Outlays:				
Debt Service	620,000			620,000
Total expenditures	<u>695,750</u>	<u>1,509</u>	<u>128</u>	<u>697,387</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(695,750)	(1,509)	(128)	(697,387)
Other financing sources (uses):				
Bond proceeds	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
Excess of revenues collected over (under) expenditures	(395,750)	(1,509)	(128)	(397,387)
Cash fund balances, beginning of year	<u>620,974</u>	<u>1,509</u>	<u>128</u>	<u>622,611</u>
Cash fund balances, end of year	<u>\$ 225,224</u>	<u>0</u>	<u>0</u>	<u>225,224</u>

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES -  
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2017

	EXPENDABLE TRUST FUNDS		AGENCY FUNDS	TOTAL
	GIFTS AND ENDOWMENTS FUND	MATHIS SCHOLARSHIP FUND	SCHOOL ACTIVITY FUNDS	
<u>ASSETS</u>				
Cash	\$ 48,541	60,983	84,070	193,594
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 741			741
Funds held for school organizations			84,070	84,070
Totals liabilities	741	0	84,070	84,811
Fund Balance:				
Restricted	47,800	60,983	0	108,783
Total Liabilities and Fund Balance	\$ 48,541	60,983	84,070	193,594

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL FIDUCIARY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	GIFTS FUND	MATHIS SCHOLARSHIP FUND	TOTAL
Revenues Collected:			
Local sources	\$ 93,602	3,236	96,838
Non-revenue receipts	300	3,324	3,624
Total revenues collected	<u>93,902</u>	<u>6,560</u>	<u>100,462</u>
Expenditures:			
Instruction	93,177		93,177
Support services	7,083	3,000	10,083
Other outlays:			
Other uses	300		300
Total expenditures	<u>100,560</u>	<u>3,000</u>	<u>103,560</u>
Adjustment to prior year encumbrances	<u>59</u>	<u>0</u>	<u>59</u>
Excess of revenues collected over (under) expenditures	(6,599)	3,560	(3,039)
Cash fund balances, beginning of year	<u>54,399</u>	<u>57,423</u>	<u>111,822</u>
Cash fund balances, end of year	<u>\$ 47,800</u>	<u>60,983</u>	<u>108,783</u>

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE 7-01-16	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-17
<u>ASSETS</u>					
Cash	\$ 81,530	281,908	0	279,368	84,070
 <u>LIABILITIES</u>					
Funds held for school organizations:					
General	\$ 1,826	6,061		4,463	3,424
Athletics	7,274	55,384		61,517	1,141
H.S. Cheerleading	1,238	30,588		31,361	465
7-8th Cheerleading	472	8,059		7,553	978
FCA	200	2,436		2,556	80
Library	393	10		0	403
Band	2,599	7,670		7,845	2,424
Student Council	613	104		0	717
Annual	13,167	14,728		11,961	15,934
Beta Club	596	1,206		1,595	207
Elementary	2,648	12,084		14,687	45
Special Education	308	0		0	308
Senior Class	3,762	2,025		3,805	1,982
Junior Class	5,529	14,939		15,668	4,800
Sophomore Class	1	16		0	17
Newspaper	286	0		0	286
Golf fundraiser	3,391	0		0	3,391
8th Grade	708	1,609		647	1,670
Academic Team	2,901	1,135		3,542	494
Stem (Botball)	0	8,988		4,407	4,581
Middle School StuCo	28	0		0	28
Band Trip Account	5,226	11,275		8,238	8,263
STEP concession account	257	19,846		19,846	257
Native American Club	3,867	2,318		1,811	4,374
Football Fundraiser	6,479	17,451		18,020	5,910
Girls Basketball Fundraiser	1,152	9,362		10,242	272
Softball Fundraiser	388	350		388	350
Baseball Fundraiser	543	275		736	82
Cross Country	498	8,043		5,110	3,431
Kiefer Ag booster	9,026	22,599		22,351	9,274
Track	2,136	3,964		6,024	76
Field Maintenance	3	0		0	3
Powerlifting Fundraiser	382	2,194		2,076	500
Boys Basketball Fundraiser	239	3,205		2,000	1,444
Trojan Buck Secondary	70	500		0	570
Caitlyn Mathis Daffodil	3,324	4,985		3,324	4,985
Macy's Parade	0	1,492		1,444	48
Kiefer Vo-ag	0	7,007		6,151	856
Total Liabilities	\$ 81,530	281,908	0	279,368	84,070

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/2016	Revenue Collected	Total Expenditures	Balance at 6/30/2017
<u>U.S. Department of Education</u>							
Indian Education	84.060	S060A161135	\$ 40,114	0	40,114	40,114	0
<u>Passed Through State Department of Education:</u>							
Title I	84.010	S010A170036	110,249		95,455	123,819	13,950
IDEA-B Flow Through	84.027	H027A170051	121,665		121,436	121,359	
IDEA-B Pre-school	84.173	H173A170084	1,327			1,303	1,303
Title II, Part A	84.367	S367A170035	14,824		14,824		
Sub Total			<u>248,065</u>	<u>0</u>	<u>231,715</u>	<u>246,481</u>	<u>15,253</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Programs:							
School Breakfast Program	10.553				38,197	38,197	
National School Lunch Program	10.555				128,105	128,105	
Sub Total					<u>166,302</u>	<u>166,302</u>	
<u>Passed Through Department of Human Services:</u>							
Non-cash assistance- commodities - Note 1							
National School Lunch Program	10.555				17,420	17,420	
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		12,420		2,742	6,745	2,864
Johnson O'Malley - 2014-15 - Note	15.130						
Johnson O'Malley 3 month	15.130		1,503		1,503	2,123	
Flood Control	12.112		78		78		
Sub Total			<u>14,001</u>	<u>0</u>	<u>4,323</u>	<u>8,868</u>	<u>2,864</u>
Total Federal Assistance			<u>\$ 302,180</u>	<u>0</u>	<u>459,874</u>	<u>479,185</u>	<u>18,117</u>

Note - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 1 - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2017. This information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies - Expenditures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - Non-Monetary Assistance - Commodities received by the District in the amount of \$17,420 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2017

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety - Westen Surety Company	Treasurer	0601 18193163	\$ 100,000	10/26/16 - 10/26/17
	Superintendent	0601 18193163	100,000	10/26/16 - 10/26/17
	Activity Fund Cust.	0601 18193163	50,000	10/26/16 - 10/26/17
	Encumbrance Clerk	0601 18193163	50,000	10/26/16 - 10/26/17
	Sec. to Supt.	0601 18193163	50,000	10/26/16 - 10/26/17
	Athletic Director	0601 18193163	5,000	10/26/16 - 10/26/17
	Band Director	0601 18193163	5,000	10/26/16 - 10/26/17
	Board Members	0601 18193163	5,000	10/26/16 - 10/26/17
	Child Care Director	0601 18193163	5,000	10/26/16 - 10/26/17
	Cheer Sponsor	0601 18193163	5,000	10/26/16 - 10/26/17
	Jr. Class Sponsor	0601 18193163	5,000	10/26/16 - 10/26/17
	Indian Edu. Director	0601 18193163	1,000	10/26/16 - 10/26/17
	Minutes Clerk	0601 18193163	1,000	10/26/16 - 10/26/17



INDEPENDENT SCHOOL DISTRICT NO. I-18, CREEK COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2016 TO JUNE 30, 2017

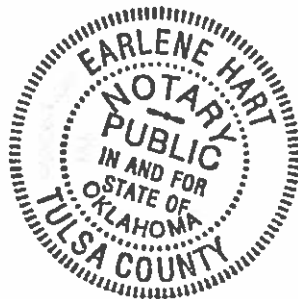
State of Oklahoma            )  
  ) ss  
County of Tulsa             )

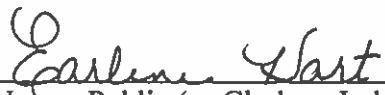
The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Kiefer Public School for the audit year 2016-17

Sanders, Bledsoe & Hewett,  
Certified Public Accountants, LLP  
Auditing Firm

By   
Authorized Agent

Subscribed and sworn to before me  
This 28<sup>th</sup> day of November, 2017



  
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2020  
Commission No. 00008621



**SANDERS, BLEDSOE & HEWETT**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA  
Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

November 28, 2017

Ms. Mary Murrell, Supt.  
Kiefer Public Schools  
4600 West 151<sup>st</sup> Street  
Kiefer, Oklahoma 74041

Dear Ms. Murrell:

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

**The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.**

**Lack of Segregation of Duties**

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls. This is normally an issue in small to medium size school districts, especially in the areas of cash collections and disbursements.

### Activity Funds

Receipt books that were used to record activity fund collections could not be located and were not available for review. We recommend that all activity funds collected be received in pre-numbered receipt books, with a receipt copy being issued to any student or patron from whom money is received, and all receipt books be kept on file for review. Prenumbered, duplicate receipt books should be checked in/out every school year to each sub-account sponsor.

### Purchase Orders

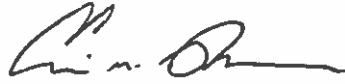
1. Purchase orders were used in accordance with Oklahoma Statutes, however, they were not always encumbered against available appropriations prior to the obligations being incurred. We recommend that the District enforce its policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred. (Reference: 70 O.S. 2016 5-135D)
2. Of the purchase orders and activity checks examined, some of the invoices were not signed as received by a district employee. We recommend that all invoices or delivery tickets be signed and dated when the merchandise is received, as required by Oklahoma Statutes. ( Reference: 62 O.S. 2016 § 310.1a and 70 O.S. 2001 § 5-135 C and E)

### Credit Cards

We noted that the District used a Visa credit card to make purchases. While credit cards are an allowable method of payment, and the credit card expenditures tested did have adequate supporting documentation, we always like to caution schools in becoming too dependent on credit cards for making purchases. We have seen this become a record-keeping problem for some school districts, and sometimes it ends up with some questionable items being charged. We only recommend that the school policy be followed, and each use of the credit card be supported by an itemized invoice.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eric M. Bledsoe". The signature is fluid and cursive, with a prominent initial "E" and "M".

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP