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REPORT OF AUDIT

SHARON-MUTUAL SCHOOL DISTRICT #1-3

WOODWARD COUNTY – OKLAHOMA

JULY 1, 2017 TO JUNE 30, 2018

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

OFFICIALS

AMANDA HEDGES	PRESIDENT
LEVI SPENCER	VICE-PRESIDENT
MISTY THOMPSON	CLERK
JEREMY CLEM	MEMBER
BRAD SPRAY	MEMBER
JESSICA MOUSER	TREASURER
JEFF THOMPSON	SUPERINTENDENT

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

TABLE OF CONTENTS

SCHOOL DISTRICT OFFICIALS	PAGE 1
TABLE OF CONTENTS	PAGES 2 & 3
INDEPENDENT AUDITOR'S REPORT	PAGES 4 – 6
<u>COMBINED FINANCIAL STATEMENTS</u>	
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – REGULATORY BASIS – ALL FUND TYPES AND ACCOUNT GROUPS –	EXHIBIT A
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES REGULATORY BASIS – ALL GOVERNMENTAL FUND TYPES –	EXHIBIT B
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – REGULATORY BASIS – BUDGETED GOVERNMENTAL FUND TYPES –	EXHIBIT C
NOTES TO COMBINED FINANCIAL STATEMENTS	PAGES 7 - 15
<u>COMBINING FINANCIAL STATEMENTS</u>	
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – REGULATORY BASIS – ALL SPECIAL REVENUE FUNDS	SCHEDULE A-1
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – REGULATORY BASIS – CAPITAL PROJECT FUNDS	SCHEDULE A-2
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES – REGULATORY BASIS – SPECIAL REVENUE FUNDS	SCHEDULE B-1
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES – REGULATORY BASIS – CAPITAL PROJECT FUNDS –	SCHEDULE B-2
<u>SUPPLEMENTAL INFORMATION</u>	
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – REGULATORY BASIS – SPECIAL REVENUE FUNDS	SCHEDULE C-1
FEDERAL SCHEDULES	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	SCHEDULE 1-00
SCHOOL ACTIVITY FUND – REGULATORY BASIS REVENUES, EXPENDITURES AND BALANCES RECONCILIATION STATEMENT CASH STATEMENT	SCHEDULE 2-00 SCHEDULE 2-01 SCHEDULE 2-02

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

<u>TABLE OF CONTENTS</u>	PAGE 2
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 <i>GOVERNMENT AUDITING STANDARDS</i>	PAGES 16 & 17
SCHEDULE OF FINDINGS	PAGE 18
DISPOSITION OF PRIOR YEAR FINDINGS	PAGES 19 & 20
PRIOR YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS	PAGE 21
ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE	PAGE 22

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Sharon-Mutual School District #1-3
Woodward County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Sharon-Mutual School District #1-3, Woodward County, Oklahoma, as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Sharon-Mutual School District #1-3, Woodward County, Oklahoma on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2018, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Sharon-Mutual School District #1-3, Woodward County, Oklahoma, as of June 30, 2018, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

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

The combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures, of federal awards, are fairly stated in all material respects in relation to the combined financial statements-regulatory basis taken as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 24, 2019, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Chas. W. Carroll, P.A.".

Chas. W. Carroll, P.A.
April 24, 2019

Sharon-Mutual School District No. 1-3, Woodward County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2018

EXHIBIT A

ASSETS	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
Cash and Cash Equivalents	\$ 975,989	\$ 193,082	\$ 46,723	\$ 125,880	\$ 0	\$ 0	\$ 0	1,341,674
Investments	0	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	0	46,723	46,723
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	753,277	753,277
Total Assets	\$ 975,989	\$ 193,082	\$ 46,723	\$ 125,880	\$ 0	\$ 0	\$ 800,000	\$ 2,141,674

LIABILITIES AND FUND BALANCES

Liabilities:								
Warrants Payable	\$ 45,929	\$ 6,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,100
Reserve for Encumbrances	45,085	14,865	0	0	0	0	0	59,950
Due to Activity Groups	0	0	0	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0	0	800,000	800,000
Total Liabilities	\$ 91,014	\$ 21,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 800,000	\$ 912,050
Fund Balances:								
Restricted For:								
Debt Service	\$ 0	\$ 0	\$ 46,723	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,723
Capital Projects	0	0	0	125,880	0	0	0	125,880
Building Programs	0	147,473	0	0	0	0	0	147,473
Child Nutrition Programs	0	24,573	0	0	0	0	0	24,573
Cooperative Programs	0	0	0	0	0	0	0	0
Unassigned	884,975	0	0	0	0	0	0	884,975
Total Fund Balances	\$ 884,975	\$ 172,046	\$ 46,723	\$ 125,880	\$ 0	\$ 0	\$ 0	\$ 1,229,624
Total Liabilities and Fund Balances	\$ 975,989	\$ 193,082	\$ 46,723	\$ 125,880	\$ 0	\$ 0	\$ 800,000	\$ 2,141,674

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

Sharon-Mutual School District No. I-3, Woodward County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2018

EXHIBIT B

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2018
Revenue Collected:					
Local Sources	\$ 1,473,139	\$ 218,393	\$ 881,336	\$ 0	\$ 2,572,867
Intermediate Sources	113,168	0	0	0	113,168
State Sources	846,689	4,416	95	0	851,200
Federal Sources	124,404	60,835	0	0	185,239
Non-Revenue Receipts	4,372	41,972	0	0	46,343
Total Revenue Collected	\$ 2,561,771	\$ 325,615	\$ 881,431	\$ 0	\$ 3,768,817
Expenditures Paid:					
Instruction	\$ 1,458,571	\$ 0	\$ 0	\$ 7,503	\$ 1,466,074
Support Services	980,702	251,401	0	25,822	1,257,925
Operation of Non-Instructional Services	100,463	109,085	0	0	209,548
Facilities Acquisition and Construction	0	0	0	662,646	662,646
Other Outlays	4,372	3,515	0	0	7,887
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	800,000	0	800,000
Interest and Fiscal Agent Fees	0	0	18,400	0	18,400
Total Expenditures Paid	\$ 2,544,108	\$ 364,001	\$ 818,400	\$ 695,971	\$ 4,422,479
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ 17,664	\$ (38,386)	\$ 63,031	\$ (695,971)	\$ (653,662)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):					
Estopped Warrants	\$ 848	\$ 154	\$ 0	\$ 0	\$ 1,002
Bond Proceeds	0	0	0	800,000	800,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 848	\$ 154	\$ 0	\$ 800,000	\$ 801,002
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ 18,512	\$ (38,231)	\$ 63,031	\$ 104,029	\$ 147,340
Fund Balance - Beginning of Year	866,464	210,277	(16,307)	21,851	1,082,284
Fund Balance - End of Year	\$ 884,975	\$ 172,046	\$ 46,723	\$ 125,880	\$ 1,229,624

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

Sharon-Mutual School District No. 1 Woodward County, Oklahoma
 Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
 Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
 For the Year Ended June 30, 2018

EXHIBIT C

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 1,273,196	\$ 1,273,196	\$ 1,473,139						
Intermediate Sources	94,076	94,076	113,168						
State Sources	795,051	795,051	846,689						
Federal Sources	103,426	103,426	124,404						
Non-Revenue Receipts	0	0	4,372						
Total Revenue Collected	\$ 2,265,750	\$ 2,265,750	\$ 2,561,771	\$ 188,789	\$ 188,789	\$ 218,393	\$ 834,707	\$ 834,707	\$ 881,336
Expenditures Paid:									
Instruction	\$ 2,064,954	\$ 2,064,954	\$ 1,458,571						
Support Services	977,702	977,702	980,702						
Operation of Non-Instructional Services	85,186	85,186	100,463	368,924	368,924	251,401			
Facilities Acquisition and Construction	0	0	0	129,523	129,523	109,085			
Other Outlays	4,372	4,372	4,372	0	0	3,515			
Other Uses	0	0	0	0	0	0	818,400	818,400	818,400
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 3,132,214	\$ 3,132,214	\$ 2,544,108	\$ 498,447	\$ 498,447	\$ 364,001	\$ 818,400	\$ 818,400	\$ 818,400
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (866,464)	\$ (866,464)	\$ 17,664	\$ (246,995)	\$ (246,995)	\$ (38,386)	\$ 16,307	\$ 16,307	\$ 63,031
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Stopped Warrants	\$ 0	\$ 0	\$ 848	\$ 0	\$ 0	\$ 154	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	36,718	36,718	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 848	\$ 36,718	\$ 36,718	\$ 154	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (866,464)	\$ (866,464)	\$ 18,512	\$ (210,277)	\$ (210,277)	\$ (38,231)	\$ 16,307	\$ 16,307	\$ 63,031
Fund Balance - Beginning of Year	866,464	866,464	866,464	210,277	210,277	210,277	(16,307)	(16,307)	(16,307)
Fund Balance - End of Year	\$ 0	\$ 0	\$ 884,975	\$ 0	\$ 0	\$ 172,046	\$ 0	\$ 0	\$ 46,723

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

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Sharon-Mutual School District #1-3 have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

B. Fund Accounting

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

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

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

Fund Description

The following funds are utilized by the Sharon-Mutual School District #1-3.

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

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of 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).

NOTES TO COMBINED FINANCIAL STATEMENTS

PAGE 2

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 restrict-ed monies that must be expended for specific programs which includes the Child Nutrition Program.

Special Revenue Funds – The Special Revenue Funds are the District's Building Fund and Child Nutrition Fund. The Building Fund consists of monies derived from taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with the daily operations of the district's nutrition program.

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

Capital Project Funds - The Capital Project Funds are the District's Bond 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.

Fiduciary Fund Types

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

Agency Fund – The Agency Fund is the school Activity Fund which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

Trust Fund - The Trust Funds consist of the Gifts and Endowments Fund. The Gifts and Endowments Fund is made up of local donations and contributions and may be used for authorized educational purposes.

Memorandum Only – Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

NOTES TO COMBINED FINANCIAL STATEMENTS

PAGE 3

Basis of Accounting and Presentation (continued)

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

- * Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- * Investments and inventories are recorded as assets when purchased.
- * Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- * Warrants payable are recorded as liabilities when issued.
- * Long-term debt is recorded when incurred.
- * Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

D. Budgets and Budgetary Accounting

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

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

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

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

E. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

F. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Inventories

The value of consumable inventories at June 30, 2018 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures, and changes in fund balances.

The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

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

Operating Leases

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

Long Term Debt

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

General Long-Term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

a.) A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2018 is set forth below:

\$800,000.00 Building Bonds of 2017

Payment Date	Principal	Rate	Interest	Total
1 Jul 18	\$ 0.00		\$12,800.00	\$ 12,800.00
1 Jul 19	<u>800,000.00</u>	1.600%	<u>12,800.00</u>	<u>812,800.00</u>
	\$800,000.00		\$25,600.00	\$825,600.00

\$800,000.00 Building Bonds of 2016

Payment Date	Principal	Rate	Interest	Total
1 Jul 18	<u>\$ 800,000.00</u>	1.150%	<u>\$9,200.00</u>	<u>\$809,200.00</u> (pre-paid)
	\$ 800,000.00		\$9,200.00	\$809,200.00

General Long-Term Debt (continued)

b.) The Woodward County Educational Facilities Authority (Authority) and the District have entered into a fully paid ground lease dated August 19, 2013 (the "Ground Lease"), whereby the District has leased to the Authority certain real property together with all improvements thereon and to be placed thereon for a term extending to September 1, 2022 and so long thereafter as any indebtedness of the Authority secured by its leasehold therein remains outstanding and unpaid. The Authority has sub-leased the property covered by the Ground Lease to the District by a sub-lease dated July 1, 2013 (the "Sublease"), which extends to June 30, 2014, and is renewable for successive on (1) year terms thereafter at the option of the District until the Series 2013 Bonds are paid. Failure to renew the Sublease will terminate the Sublease and all further options of the District to renew it.

The voters of the District have approved the issuance of General Obligation Bonds for constructing, acquiring and improving school sites, and acquiring school furniture, fixtures and equipment in the total amount of \$5,930,000.00. Those School District General Obligation Bonds will be issued in series over the life of the Authority's Series 2013 Bonds in amounts necessary to pay the maturing principal of the Authority's Series 2013 Bonds and will be utilized for that purpose by payment of the proceeds thereof as received to the Trustee Bank as rentals under the Sublease.

Upon the payment in full of the Series 2013 Bonds, the Sublease and the Ground Lease both will expire and possession of and title to the improvements will be vested in the District.

A repayment schedule of the outstanding capital lease obligations at June 30, 2018 is set forth below:

Schedule of Semi-Annual Rent & Acquisition Payments
Original Principal: \$5,930,000.00

<u>DATE</u>	<u>PRINCIPAL REMAINING</u>	<u>INTERST REMAINING</u>	<u>TOTAL P & I REMAINING</u>
9/01/2018	\$ 675,000.00	\$ 114,413.00	\$ 789,413.00
9/01/2019	695,000.00	99,225.00	794,225.00
9/01/2020	715,000.00	78,375.00	793,375.00
9/01/2021	745,000.00	55,138.00	800,138.00
9/01/2022	<u>775,000.00</u>	<u>26,063.00</u>	<u>801,063.00</u>
TOTAL	\$ 3,605,000.00	\$ 373,214.00	\$ 3,978,214.00

c.) The District entered into a lease/purchase agreement with Stock Exchange Bank of Woodward for the purpose of constructing, equipping and furnishing a facility for use by the District Agricultural Education Program. The agreement was entered into on September 25, 2015, with an interest rate of 2.50%. Retirement of the debt was made during the 2017-18 fiscal year.

Principal Amount	\$150,000.00
Payments thru 6/30/18	<u>150,000.00</u>
Balance Outstanding	<u>\$ 0.00</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Cash Fund Balance

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

Safeguard of Deposits and Investments

The District's investments policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District Treasurer and Activity Fund Custodians are responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit and Investments- Custodian Credit Risk – The District's cash deposits and investments at June 30, 2018, were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name. The District's cash deposits and investments at June 30, 2018, are classified in the following categories:

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

	<u>Category</u>			<u>Bank</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>Balance</u>
Cash and cash equivalents	\$314,282.25	\$ 1,091,673.96	\$ 0.00	\$1,405,956.21
Investments	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>\$314,282.25</u>	<u>\$ 1,091,673.96</u>	<u>\$ 0.00</u>	<u>\$1,405,956.21</u>

G. Revenue, Expenses and Expenditures

State Revenues

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

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

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

Property Tax Revenue

The District is authorized by state law to levy property taxes which consists of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the taxes are due prior to January 1. The second half is due prior to April 1.

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

Inter-fund Transactions

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

2. Risk Management

Liabilities Protection Plan

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

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

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

Surety Bonds

District and Activity

The District maintains a Position Schedule Bond with the Western Surety Company. The bond number is 69736991, dated July 1, 2017 to July 1, 2018. The positions covered are as follows:

Jeff Thompson	Superintendent	\$100,000.00
	Co-Activity Fund Custodian	\$ 1,000.00
Jessica Mouser	Treasurer	\$100,000.00
	Minutes Clerk	\$ 1,000.00
	Lunch Fund Custodian	\$ 1,000.00
Cindy Free	Encumbrance Clerk	\$ 1,000.00
	Activity Fund Custodian	\$ 10,000.00
Jonna Schmidt	Deputy Board Clerk	\$ 1,000.00

3. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System.

The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A Participant with 5 years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2018. An additional 7.80% of compensation is required for federal grants. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating member is 7% up to a maximum compensation level.

The total contributions for employees of Sharon-Mutual School District #1-3 covered by the System for the year 2018, 2017 and 2016 were \$202,285.40, \$220,151.65 and \$246,953.84, respectively.

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

Plan Description (continued)

The Oklahoma Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The system issues an independent financial report, financial statements and required supplementary information that may be obtained by writing to the Oklahoma Teacher's Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

4. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

4. Subsequent Events

Management has evaluated subsequent events through April 24, 2019, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added.

Sharon-Mutual School District No. 1-3, Woodward County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2018

SCHEDULE A-1

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2018</u>
Cash and Cash Equivalents	\$ 168,509	\$ 24,573	\$ 193,082
Investments	0	0	0
<i>Total Assets</i>	<u>\$ 168,509</u>	<u>\$ 24,573</u>	<u>\$ 193,082</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 6,171	\$ 0	\$ 6,171
Reserve for Encumbrances	14,865	0	14,865
<i>Total Liabilities</i>	<u>\$ 21,036</u>	<u>\$ 0</u>	<u>\$ 21,036</u>
nd Balances:			
Restricted	<u>\$ 147,473</u>	<u>\$ 24,573</u>	<u>\$ 172,046</u>
<i>Total Fund Balances</i>	<u>\$ 147,473</u>	<u>\$ 24,573</u>	<u>\$ 172,046</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 168,509</u>	<u>\$ 24,573</u>	<u>\$ 193,082</u>

Sharon-Mutual School District No. 1-3, Woodward County, Oklahoma
 Combining Statement of Assets, Liabilities and Fund Balances
 Regulatory Basis - Capital Project Funds
 June 30, 2018

SCHEDULE A-2

<u>ASSETS</u>	<u>Transportation Bond Fund</u>	<u>Building Bond Fund</u>	<u>Total June 30, 2018</u>
Cash and Cash Equivalents	\$ 3,317	\$ 122,563	\$ 125,880
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 3,317</u>	<u>\$ 122,563</u>	<u>\$ 125,880</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 0	\$ 0	\$ 0
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
nd Balances:			
Restricted	<u>\$ 3,317</u>	<u>\$ 122,563</u>	<u>\$ 125,880</u>
<i>Total Fund Balances</i>	<u>\$ 3,317</u>	<u>\$ 122,563</u>	<u>\$ 125,880</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,317</u>	<u>\$ 122,563</u>	<u>\$ 125,880</u>

Sharon-Mutual School District No. 1-3, Woodward County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2018

SCHEDULE B-1

	Building Fund	Child Nutrition Fund	Total June 30, 2018
Revenue Collected:			
Local Sources	\$ 211,725	\$ 6,667	\$ 218,393
Intermediate Sources	0	0	0
State Sources	22	4,394	4,416
Federal Sources	0	60,835	60,835
Non-Revenue Receipts	3,515	38,456	41,972
<i>Total Revenue Collected</i>	\$ 215,262	\$ 110,353	\$ 325,615
 Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	251,401	0	251,401
Operation of Non-Instructional Services	0	109,085	109,085
Facilities Acquisition and Construction	0	0	0
Other Outlays	3,515	0	3,515
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	\$ 254,916	\$ 109,085	\$ 364,001
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (39,654)	\$ 1,268	\$ (38,386)
 Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0
 Other Financing Sources (Uses):			
Estopped Warrants	\$ 154	\$ 0	\$ 154
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	\$ 154	\$ 0	\$ 154
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (39,500)	\$ 1,268	\$ (38,231)
 <i>Fund Balance - Beginning of Year</i>	186,973	23,304	210,277
 <i>Fund Balance - End of Year</i>	\$ 147,473	\$ 24,573	\$ 172,046

Sharon-Mutual School District No. 1-3, Woodward County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Capital Project Funds
For the Year Ended June 30, 2018

SCHEDULE B-2

	Transportation Bond Fund	Building Bond Fund	Total June 30, 2018
Revenue Collected:			
Local Sources	\$ 0	\$ 0	\$ 0
Intermediate Sources	0	0	0
State Sources	0	0	0
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
	0	0	0
<i>Total Revenue Collected</i>	\$ 0	\$ 0	\$ 0
Expenditures Paid:			
Instruction	\$ 0	\$ 7,503	\$ 7,503
Support Services	0	25,822	25,822
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition and Construction	0	662,646	662,646
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
	0	695,971	695,971
<i>Total Expenditures Paid</i>	\$ 0	\$ 695,971	\$ 695,971
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ 0	\$ (695,971)	\$ (695,971)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	800,000	800,000
Transfers In	0	0	0
Transfers Out	0	0	0
	0	800,000	800,000
<i>Total Other Financing Sources (Uses)</i>	\$ 0	\$ 800,000	\$ 800,000
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ 0	\$ 104,029	\$ 104,029
<i>Fund Balance - Beginning of Year</i>	3,317	18,534	21,851
<i>Fund Balance - End of Year</i>	\$ 3,317	\$ 122,563	\$ 125,880

Sharon-Mutual School District No. 1, Woodward County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Budget and Actual - Regulatory Basis - Special Revenue Funds
 For the Year Ended June 30, 2018

SCHEDULE C-1

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 181,951	\$ 181,951	\$ 211,725	\$ 6,838	\$ 6,838	\$ 6,667	\$ 188,789	\$ 188,789	\$ 218,393
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	22	1,344	1,344	4,394	1,344	1,344	4,416
Federal Sources	0	0	0	61,319	61,319	60,835	61,319	61,319	60,835
Non-Revenue Receipts	0	0	3,515	0	0	38,456	0	0	41,972
Total Revenue Collected	\$ 181,951	\$ 181,951	\$ 215,262	\$ 69,501	\$ 69,501	\$ 110,353	\$ 251,452	\$ 251,452	\$ 325,615
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	368,924	368,924	251,401	0	0	0	368,924	368,924	251,401
Operation of Non-Instructional Services	0	0	0	129,523	129,523	109,085	129,523	129,523	109,085
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	3,515	0	0	0	0	0	3,515
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 368,924	\$ 368,924	\$ 254,916	\$ 129,523	\$ 129,523	\$ 109,085	\$ 498,447	\$ 498,447	\$ 364,001
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (186,973)	\$ (186,973)	\$ (39,654)	\$ (60,022)	\$ (60,022)	\$ 1,268	\$ (246,995)	\$ (246,995)	\$ (38,386)
Adjustments to Prior Year Encumbrances	0	0	0	0	0	0	0	0	0
Other Financing Sources (Uses):									
Estopped Warrants	0	0	154	0	0	0	0	0	154
Transfers In	0	0	0	36,718	36,718	0	36,718	36,718	0
Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 154	\$ 36,718	\$ 36,718	\$ 0	\$ 36,718	\$ 36,718	\$ 154
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (186,973)	\$ (186,973)	\$ (39,500)	\$ (23,304)	\$ (23,304)	\$ 1,268	\$ (210,277)	\$ (210,277)	\$ (38,231)
Fund Balance - Beginning of Year	186,973	186,973	186,973	23,304	23,304	23,304	210,277	210,277	210,277
Fund Balance - End of Year	\$ 0	\$ 0	\$ 147,473	\$ 0	\$ 0	\$ 24,573	\$ 0	\$ 0	\$ 172,046

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY - OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALLOCATIONS & EXPENDITURES
07/01/17 TO 06/30/18

SCHEDULE 1-00

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/(ACCRUED) OR DEFERRED REVENUE AT JULY 1, 2017	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/(ACCRUED) OR DEFERRED REVENUE AT JUNE 30, 2018	INDIRECT COST
<u>U.S. Department of Education -</u>							
<u>Direct Programs</u>							
84.358A	588	\$33,925.00	\$0.00	\$33,925.00	\$33,925.00	\$0.00	\$0.00
Title VI Part B REAP							
<u>State Department of Education -</u>							
84.010	511	60,647.11	(12,942.65)	42,284.83	29,342.18	0.00	0.00
84.367	541/586	9,766.08	(4,819.50)	4,819.50	1,366.00	(1,366.00)	0.00
84.027	621	46,098.68	0.00	42,145.80	42,145.80	0.00	0.00
84.173	641	793.18	(444.15)	1,229.02	784.87	0.00	0.00
Special Education Cluster							
<u>U.S. Department of Agriculture -</u>							
Child Nutrition Cluster:							
10.555	763	43,150.32	0.00	43,553.27	43,553.27	0.00	0.00
10.553	764	17,239.17	0.00	17,281.99	17,281.99	0.00	0.00
Total Cash Assistance							
10.565	N/A	12,001.68	0.00	12,001.68	12,001.68	0.00	0.00
Commodity Distribution (Non-Cash)							
Total Child Nutrition Program							
			(18,206.30)	\$197,241.09	\$180,400.79	(\$1,366.00)	\$0.00

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

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

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

NOTE 4: Indirect Cost included in total expenditures

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

SHARON-MUTUAL SCHOOL DISTRICT #-1-3
WOODWARD COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES AND BALANCES
07/01/17 TO 06/30/18

SCHEDULE 2-00

ACCOUNT	07/01/17	RECEIPTS	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/18
YEARBOOK	\$11,121.17	\$5,530.40	\$0.00	\$0.00	\$8,553.73	\$8,097.84
PROM	30.34	996.62			919.23	107.73
HIGH SCHOOL CHEERLEADERS	1,222.43	7,480.00			7,333.26	1,369.17
FFA	1,919.10	19,786.70			17,442.35	4,263.45
FCCLA	6,021.41	15,150.62			14,577.63	6,594.40
ENGLISH	252.80				197.85	54.95
LIBRARY	779.95				0.00	779.95
STUDENT COUNCIL	78.93				19.68	59.25
S-M ELEMENTARY	10,290.79	34,730.21			36,375.29	8,645.71
S-M SENIOR 4-H	1,094.28				0.00	1,094.28
STUDENT BODY	722.07	26,888.34			27,309.69	300.72
FOOTBALL	2,355.28	28,525.00			18,129.59	12,750.69
ACEDMIC TEAM	101.08				0.00	101.08
GIRLS BASKETBALL	4,756.31	8,110.00			8,546.60	4,319.71
BASEBALL	1,535.29	8,090.66			9,179.72	446.23
MUSIC	794.36	4,135.10			3,277.05	1,652.41
VOLLYBALL	1,729.95	2,039.00			568.12	3,200.83
TEACHERS ACCOUNT	1.50				0.00	1.50
JUNIOR HIGH CHEERLEADERS	84.65				65.64	19.01
INTRST ACCOUNT	16.99	98.93			30.62	85.30
TRACK	239.28	680.00			697.00	222.28
SCIENCE	689.49				140.92	548.57
BOYS BASKETBALL	1,824.78	14,206.00			13,368.64	2,662.14
BUSINESS PROFESSIONALS	698.73	4,414.70			4,261.42	852.01
TECHNOLOGY STUDENTS	121.09	580.00			647.00	54.09
S-M OLYMPICS	1,548.71	1,450.00			1,412.31	1,586.40
CHILD NUTRITION	0.00	38,797.57			38,797.57	0.00
TOTALS	\$50,030.76	\$221,689.85	\$0.00	\$0.00	\$211,850.91	\$59,869.70

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
RECONCILIATION STATEMENT
07/01/17 TO 06/30/18

SCHEDULE 2-01

DEPOSITORY -----	DETAIL	TOTALS
CASH	<u>\$64,282.25</u>	
TOTAL DEPOSITORY		<u><u>\$64,282.25</u></u>
FUND -----		
LEDGER BALANCE	\$59,869.70	
ADD 2017-18 O/S	4,127.84	
ADD 2016-17 O/S	266.71	
ADD 2015-16 O/S	120.00	
RETURNED CHECKS NOT POSTED	<u>(102.00)</u>	
TOTAL FUND BALANCE		<u><u>\$64,282.25</u></u>

SHARON-MUTUAL SCHOOL DISTRICT #I-3
WOODWARD COUNTY - OKLAHOMA
SCHOOL ACTIVITY FUND
CASH STATEMENT
07/01/17 TO 06/30/18

SCHEDULE 2-02

	TOTAL	2017-18	2016-17	2015-16	PRIOR	INVESTMENTS
BEGINNING CASH AND INVESTMENTS	\$52,751.51	\$50,030.76	\$2,600.75	\$120.00	\$0.00	\$0.00
REVENUES						
DEPOSITS	221,590.92	221,590.92				
INTEREST	98.93	98.93				
REDEPOSITS	470.00	470.00				
PRIOR YEAR O/S ESTOPPED	0.00	0.00	0.00	0.00	0.00	0.00
INV PUR/<LIQ> (Net)	0.00					
TOTAL REVENUES	222,159.85	222,159.85	0.00	0.00	0.00	0.00
EXPENDITURES						
CHECKS PAID	210,026.49	207,692.45	2,334.04			
RETURNED CHECKS/RET CKS FEES	470.00	470.00				
RETURNED CHECKS NOT POSTED	102.00	102.00				
BANK CHARGES	30.62	30.62				
TOTAL EXPENDITURES	210,629.11	208,295.07	2,334.04	0.00	0.00	0.00
ENDING BALANCES	\$64,282.25	\$63,895.54	\$266.71	\$120.00	\$0.00	\$0.00

Chas. W. Carroll, P.A.

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Enid, Oklahoma 73701

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Fax 580-234-5425

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

The Honorable Board of Education
Sharon-Mutual School District #I-3
Woodward County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis of the Sharon-Mutual School District #I-3, Woodward County, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated April 24, 2019, 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, my report was qualified for the omission for general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Response to Findings

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 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.

Sincerely,


Chas. W. Carroll, P.A.
April 24, 2019

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

SCHEDULE OF FINDINGS
JUNE 30, 2018

Section 1 – Summary of Auditor's Results

No reportable conditions, either material or immaterial, were noted or brought to my attention during the 2017-2018 fiscal year.

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2018

Section 1 – Summary of Auditor's Results

Financial Statement Findings

17-01 Finding

Statement of Condition – Pre- numbered receipts were not always utilized by activity fund sponsors and receipts were not turned into the Activity Fund Custodian on a timely basis, Also, some sponsors held collection between one (1) and fourteen (14) days before submitting the proceeds to the Activity Fund Custodian.

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

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

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

Current Condition – The condition continued during the 2017-18 Fiscal Year.

17-02 Finding

Statement of Condition – Admission tickets were not available for review to account for paid entrance to competitive events.

Criteria – Oklahoma Cost Accounting System Policy and Procedures require pre-numbered tickets be issued at events and all unsold tickets should be accounted for and written reconciliation made of tickets sold to revenue collected. Reconciliations shall be attested to by gatekeepers and Administration.

Cause/ Effect of Condition – District employees were not following required procedures and only one signature was attesting to the accuracy of the reconciliation of events.

Recommendation – The District should follow the procedures required by the State Department of Education and require at least two employees to count the proceeds from events prior to submission to the Activity Fund Custodian.

Current Condition – The condition continued during the 2017-18 Fiscal Year.

17-03 Finding

Statement of Condition – Funds were held by Activity Fund Custodian in excess of the allowable days as per Oklahoma Statutes.

Criteria – Funds received by Activity Fund Custodians are to be deposited when collections reach \$100.00 or a one week period of time expires.

Cause/ Effect of Condition – The Activity Fund Custodian failed to deposit funds during the month of May and June as required by Oklahoma Statutes.

Recommendation – The Activity Fund Custodian should follow the depositing requirements.

Current Condition – The condition continued during the 2017-18 Fiscal Year.

SHARON-MUTUAL SCHOOL DISTRICT #1-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS
JUNE 30, 2018

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

SHARON-MUTUAL SCHOOL DISTRICT #I-3
WOODWARD COUNTY – OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018

STATE OF OKLAHOMA)
)
COUNTY OF GARFIELD)

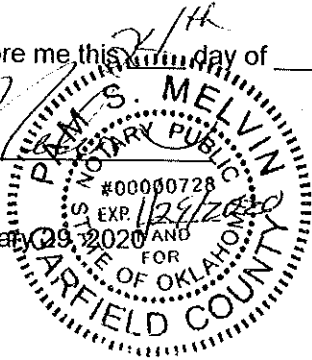
The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Sharon-Mutual School District #I-3, Woodward County, Oklahoma, for the audit year 2017-2018.

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

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 21st day of April, 2019.

Sam S. Melvin
Notary Public



My Commission Expires January 29, 2020 AND