

***Lawton Independent School District No. 8***  
***Comanche County, Oklahoma***

Financial Statements  
Year-End June 30, 2018

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
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June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lawton Independent School District No. 8,  
Comanche County, Oklahoma  
Lawton, Oklahoma

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

We have audited the accompanying regulatory basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma as of and for the year ended June 30, 2018, 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 the financial reporting provisions of Oklahoma State Department of Education described in Note 1; this includes 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 opinions 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.

### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
All	Adverse on US Generally Accepted Accounting Principles
Governmental Activities	Qualified Regulatory Basis
General Fund	Unmodified Regulatory Basis
2014 Bond Fund 32	Unmodified Regulatory Basis
2017 Bond Fund 33	Unmodified Regulatory Basis
Lease Revenue 2017 Fund 34	Unmodified Regulatory Basis
Aggregate Remaining	Unmodified Regulatory Basis

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

As described in Note 1, the financial statements are prepared by Lawton Independent School District No. 8, Comanche County, Oklahoma on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Oklahoma State Department of Education.

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

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

In our 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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended.

### **Basis for Qualified Opinion on Governmental Activities**

As discussed in Note 16 to the financial statements, management has not recorded capital assets in the governmental statement of net position – regulatory basis, in governmental activities opinion unit, which should be included to conform to the financial reporting provisions of Oklahoma State Department of Education. The amount by which this departure would affect the assets, net position and expenses of the governmental activities has not been determined.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, regulatory basis financial position of the Governmental Activities of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2018 and the respective changes in regulatory basis financial position thereof for the year then ended in accordance with financial reporting provisions of Oklahoma State Department of Education.

### **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major fund and the aggregate remaining fund

information of the Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2018, and the respective changes in regulatory basis financial position and where applicable, cash flows thereof for the year then ended, in accordance with the financial reporting provisions of Oklahoma State Department of Education as described in Note 1.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawton Independent School District No. 8, Comanche County, Oklahoma's basic financial statements. The budgetary comparison schedules, combining nonmajor fund financial statements, and statement of changes in activity fund subaccounts, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, statement of changes in activity fund subaccounts 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The Oklahoma Department of Education requires management discussion and analysis, budgetary information and the statement of statutory fidelity and honesty bonds be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. . We have applied certain limited procedures to this supplemental information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management discussion and analysis that Oklahoma Department of Education requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Oklahoma Department of Education who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019, on our consideration of the Lawton Independent School District No. 8, Comanche County,

Oklahoma'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 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 Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting and compliance.

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
April 29, 2019

## **BASIC FINANCIAL STATEMENTS**



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Net Position – Regulatory Basis  
June 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 7,757,476
Restricted Cash	53,559,685
Investments	43,700,650
Inventories	<u>224,451</u>
Total Assets	<u>\$ 105,242,262</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Warrants Outstanding	\$ 14,771,951
Long -Term Liabilities	
Due within One Year	12,727,676
Due in More than One Year	<u>58,490,068</u>
Total Liabilities	<u>\$ 85,989,695</u>
Net Position	
Net Investment in Capital Assets	\$ (4,703,866)
Restricted for	
Building Services	\$ 2,002,368
Debt Service	3,577,430
Other	31,687
School Organizations	1,901,475
Unrestricted	<u>16,443,473</u>
Total Net Position	<u><u>\$ 19,252,567</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Activities – Regulatory Basis  
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				Governmental Activities
<i>Functions/Programs</i>					
Primary Government					
Governmental Activities					
Instruction	\$ 59,889,885	\$ 141,489	\$ 9,567,936	\$ 155,734	\$ (50,024,726)
Support Services	53,561,422	2,105,891	397,932	-	(51,057,599)
Operation of Noninstructional Services	13,882,764	1,670,835	6,338,105	-	(5,873,824)
Interest on long-term debt	226,395	-	-	-	(226,395)
Total Governmental Activities	<u>\$ 127,560,466</u>	<u>\$ 3,918,215</u>	<u>\$ 16,303,973</u>	<u>\$ 155,734</u>	<u>\$ (107,182,544)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					15,837,333
Property taxes, levied for building purposes					2,264,379
Property taxes, levied for sinking fund purposes					3,293,995
General Taxes					12,569,932
State aid - formula grants					61,138,285
Federal aid - formula grants					5,608,703
Investment Earnings					676,859
Total General Revenues					<u>\$ 101,389,486</u>
Change in Net Position					<u>\$ (5,793,058)</u>
Net Position - Beginning, restated					25,045,625
Net Position - Ending					<u>\$ 19,252,567</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Balance Sheet – Governmental Funds – Regulatory Basis  
June 30, 2018

	General Fund	2014 Bond Fund 32	2017 Bond Fund 33	Lease Revenue 2017 Fund 34	Other Governmental Funds	Total
<b>Assets</b>						
Cash and Cash Investments	\$ 123,742	\$ -	\$ -	\$ -	\$ 7,964,882	\$ 8,088,624
Restricted Cash	-	-	54,581,021	1,115,187	-	55,696,208
Pooled Cash and Investments	28,819,327	7,000,000	-	-	5,381,323	41,200,650
Due from Other Funds	1,431,328	-	-	-	-	1,431,328
Inventories - Supplies, materials	216,659	-	-	-	-	216,659
<b>Total Assets</b>	<b>\$ 30,591,056</b>	<b>\$ 7,000,000</b>	<b>\$ 54,581,021</b>	<b>\$ 1,115,187</b>	<b>\$ 13,346,205</b>	<b>\$ 106,633,469</b>
<b>Liabilities</b>						
Warrants Outstanding	\$ 12,627,130	\$ 558,601	1,043,687	\$ -	\$ 541,890	\$ 14,771,308
Due to Other Funds	-	1,013,988	-	-	417,340	1,431,328
<b>Total Liabilities</b>	<b>\$ 12,627,130</b>	<b>\$ 1,572,589</b>	<b>\$ 1,043,687</b>	<b>\$ -</b>	<b>\$ 959,230</b>	<b>\$ 16,202,636</b>
<b>Fund Balances</b>						
Nonspendable	\$ 216,659	\$ -	\$ -	\$ -	\$ -	\$ 216,659
Restricted	-	5,427,411	53,537,334	1,115,187	10,485,500	70,565,432
Committed	-	-	-	-	1,901,475	1,901,475
Assigned	-	-	-	-	-	-
Unassigned	17,747,267	-	-	-	-	17,747,267
<b>Total Fund Balances</b>	<b>\$ 17,963,926</b>	<b>\$ 5,427,411</b>	<b>\$ 53,537,334</b>	<b>\$ 1,115,187</b>	<b>\$ 12,386,975</b>	<b>\$ 90,430,833</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,591,056</b>	<b>\$ 7,000,000</b>	<b>\$ 54,581,021</b>	<b>\$ 1,115,187</b>	<b>\$ 13,346,205</b>	

*Amounts reported for governmental activities in the statement of net position are different because:*

Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned about the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds 7,792

Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds of the District. These assets and liabilities of the internal service funds, which are reported as proprietary funds rather than governmental funds, are included in governmental activities in the statement of net assets 31,687

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	14,695,000	
Lease Purchase	55,000,000	
Compensated Absences	1,522,745	(71,217,745)

Net assets of governmental activities. \$ 19,252,567

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds – Regulatory Basis  
For the Year Ended June 30, 2018

	General Fund	2014 Bond Fund 32	2017 Bond Fund 33	Lease Revenue 2017 Fund 34	Other Governmental Funds	Total
<b>REVENUE</b>						
Property Taxes	\$ 15,837,333	\$ -	\$ -	\$ -	\$ 5,561,307	\$ 21,398,640
Interest	436,436	-	111,120	2,323	47,319	597,198
County Revenue	2,346,482	-	-	-	-	2,346,482
State Revenue	69,816,478	-	-	-	-	69,816,478
Federal Revenue	20,098,471	-	-	-	155,734	20,254,205
Other	<u>1,669,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,178,912</u>	<u>6,848,267</u>
Total Revenue	<u>\$ 110,204,555</u>	<u>\$ -</u>	<u>\$ 111,120</u>	<u>\$ 2,323</u>	<u>\$ 10,943,272</u>	<u>\$ 121,261,270</u>
<b>EXPENDITURES</b>						
Current						
Instruction	\$ 57,729,454	\$ 2,042,256	\$ -	\$ -	\$ 342,690	\$ 60,114,400
Support Services	43,873,692	2,625,276	758,730	-	6,280,356	53,538,054
Non-instruction Services	7,434,757	-	-	-	768,338	8,203,095
Capital Outlay	118,730	1,340,013	2,762,192	-	716,008	4,936,943
Other Outlays	271,303	-	-	-	-	271,303
Debt Service						
Interest Paid	-	-	-	-	182,310	182,310
Principal Retirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,695,000</u>	<u>1,695,000</u>
Total Expenditures	<u>\$ 109,427,936</u>	<u>\$ 6,007,545</u>	<u>\$ 3,520,922</u>	<u>\$ -</u>	<u>\$ 9,990,782</u>	<u>\$ 128,947,185</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 776,619	(6,007,545)	(3,409,802)	\$ 2,323	\$ 952,490	\$ (7,685,915)
Other Financing Sources						
Transfers	307,679	-	-	-	(307,679)	-
Proceeds of Bonds and Leases	-	3,775,000	56,947,136	1,112,864	-	61,835,000
Sale of Capital Assets	<u>22,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,620</u>
Total Other Financing Sources	<u>\$ 330,299</u>	<u>3,775,000</u>	<u>56,947,136</u>	<u>1,112,864</u>	<u>(307,679)</u>	<u>61,857,620</u>
Net Change in Fund Balances	\$ 1,106,918	(2,232,545)	53,537,334	1,115,187	644,811	54,171,705
Fund Balances - Beginning	<u>16,857,008</u>	<u>7,659,956</u>	<u>-</u>	<u>-</u>	<u>11,742,164</u>	<u>36,259,128</u>
Fund Balances - Ending	<u>\$ 17,963,926</u>	<u>\$ 5,427,411</u>	<u>\$ 53,537,334</u>	<u>\$ 1,115,187</u>	<u>\$ 12,386,975</u>	<u>\$ 90,430,833</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds – Regulatory Basis  
For the Year Ended June 30, 2018

*Amounts reported for governmental activities  
in the statement of activities are different because:*

Net change in fund balances - total governmental funds				\$ 54,171,705
In the statement of activities, compensated absences are measured by the amounts earned and unused during the year. In governmental funds, expenditures is the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned were more than the amounts used.				(59,918)
Proceeds of general obligation debt provide current financial resources for governmental funds but issuing debt increases long-term liabilities in the statement of net assets.				(6,835,000)
Repayment of debt is an expenditure in the governmental funds, but repayment of debt reduced long-term liabilities in the statement of net assets	Bonds payable	\$ 1,695,000		
	Lease payable	<u>256,872</u>	1,951,872	
The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the statement of net assets				(8,206)
Proceeds of lease purchase agreement provide current financial resources for governmental funds but increases long-term liabilities in the statement of net assets				(55,000,000)
Internal service funds are used to charge costs of workers' compensation a to individual funds. The governmental funds included expenditures of \$32,180. The expenses of the governmental activities however reflects the actual costs incurred, \$45,691 .The difference represents the undercharge by the internal service funds that is allocated back to governmental activities and transfers				<u>(13,511)</u>
Change in net assets position of governmental activities.				<u>\$ (5,793,058)</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Net Position – Proprietary Funds – Regulatory Basis  
June 30, 2018

	<u>Internal Service Funds</u>
	<u>Workers' Compensation</u>
<b>ASSETS</b>	
Cash and Cash Investments	\$ 32,332
<b>Total Assets</b>	<u>\$ 32,332</u>
 <b>LIABILITIES</b>	
Warrants Outstanding	<u>\$ 645</u>
 <b>NET POSITION</b>	
Restricted	<u><u>\$ 31,687</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Changes in Fund Net Position – Proprietary Funds – Regulatory Basis  
For the Year Ended June 30, 2018

	<u>Internal Workers' Compensation</u>
Operating Revenues	
Charges to other funds	\$ 32,180
	<u>\$ 32,180</u>
Operating Expenses	
Other Outlays	\$ 45,691
	<u>\$ 45,691</u>
Change in net position	(13,511)
Net Position- Beginning	<u>45,198</u>
Net Position- Ending	<u><u>\$ 31,687</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Cash Flows– Proprietary Funds – Regulatory Basis  
For the Year Ended June 30, 2018

	Internal Service Funds <u>Workers'</u> <u>Compensation</u>
Cash Flows from Operating Activities	
Received from assessments made to other funds	\$ 32,180
Payments of claims	<u>(46,785)</u>
Net cash used by operating activities	<u>\$ (14,605)</u>
Cash Flows from Noncapital Financing Activities	
Operating transfers to other funds	<u>\$ -</u>
Net increase (decrease) in cash	\$ (14,605)
Cash and cash equivalents, Beginning	<u>46,937</u>
Cash and cash equivalents, Ending	<u><u>\$ 32,332</u></u>
Cash Flows from Operating Activities	
Operating loss	\$ (13,511)
Adjustments to reconcile operating loss to	
Net cash provided (used) by operating activities	
Warrants Outstanding	(1,094)
Net cash provided (used) by operating activities	<u><u>\$ (14,605)</u></u>

See Notes to Financial Statements



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Fiduciary Net Position – Regulatory Basis  
June 30, 2018

	Private- Purpose Trust
	<u>                    </u>
<b>ASSETS</b>	
Cash and Cash Investments	\$ 1,310
Pooled Cash and Investments	47,778
Investments	<u>143,190</u>
<b>Total Assets</b>	<u>\$ 192,278</u>
<b>LIABILITIES</b>	
Warrants Outstanding	<u>\$ 2,010</u>
<b>NET POSITION</b>	
Restricted for Scholarships	<u><u>\$ 190,268</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Changes in Fiduciary Net Position – Regulatory Basis  
For the Year Ended June 30, 2018

	Private- Purpose Trust
Additions:	
Interest	<u>\$        482</u>
Total Additions	<u>\$  144,982</u>
Deductions	
Scholarships Awarded	<u>\$      2,010</u>
Total Deductions	<u>\$      2,010</u>
Change In Net Position	\$  142,972
Net Position- Beginning	<u>47,296</u>
Net Position- Ending	<u><u>\$  190,268</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

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

The Reporting Entity - The Lawton Independent School District No. 8 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the 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. There are no component units included within the reporting entity.

Financial Statement Presentation – The District prepares its financial statements in a presentation format that is, in substance, the format established by the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statement – Management Discussion and Analysis for State and Local Governments*.

GASB Statement 34 established a financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements and the use elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Position, the District's governmental activities are reported on cash receipts and disbursement basis modified as required by the regulations of the Oklahoma Department of Education to include property and equipment, depreciation and long-term debt and obligations. The District's Net Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions reported on the cash receipts and disbursement basis modified for depreciation. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

All interfund transactions between governmental funds and internal service funds are eliminated in the district- wide statements.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the district- wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements

Governmental fund financial statements are reported using the cash receipts and disbursement basis of accounting modified as required by the Oklahoma Department of Education to include investments, inventories on hand, encumbrances issued and warrants outstanding. The fund financial statements provide reports on the financial condition and results of operations of governmental, proprietary, and fiduciary fund categories. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

The District reports the following major governmental funds:

- General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- 2014 Bond Fund32 is used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.
- 2017 Bond Fund 33 is used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.
- Lease Revenue 2017 Fund 34 is used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types that are included in other governmental funds:

- Building Fund is used to account for monies derived from the building fund levy and rental of facilities to be used for erecting, remodeling, repairing or maintaining school buildings, paying

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energy and utility costs; paying fire and casualty insurance premiums for school facilities, security systems and personnel.

- Municipal Tax Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment as approved by voters for a special sales tax.
- Sinking Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- 2004 Bond Fund 31 are used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.
- Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund.
- Activity Fund is special revenue fund the district accounts for resources and expenditures incurred by the student activity groups.
- Proprietary Funds- Internal Service Funds – Revenues and expenses related to services provided to organizations within the District on a cost reimbursement basis are accounted for in the internal service fund. The District's Internal Service Funds are the Workers' Compensation Fund (which is used only to fund remaining claims after self-insurance was discontinued in 2000)
- Fiduciary Funds- Private purpose trust fund - The District accounts for resources held in a trust or custodial capacity for individuals or private organizations. These funds are primarily used for scholarships.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

As to basis of accounting, the basic financial statements are essentially prepared on a basis of cash receipts and disbursements, modified as required by the regulations of the Oklahoma 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.
- Vendor obligations due and payable for goods and services received are recorded as a reduction of the encumbrance when received and a payable until paid.
- Warrants/Checks payable are recorded as liabilities when issued.
- Investments and inventories are recorded as assets when purchased and reduced when used or sold.
- Capital assets in the government-wide statements are recorded when acquired and depreciated over their useful lives.
- Long-term debt reported in the government-wide statements is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This basis of accounting differs from accounting principles generally accepted in the United States of America, which would have required the government-wide financial statements as well as the fiduciary fund financial statements to be presented on the accrual basis of accounting. The fund financial statement

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under accounting principles generally accepted in the United States of America would have been presented on the modified accrual basis of accounting.

**Inventories** - Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an expenditure when used rather than when purchased.

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds. The inventory expense related to fixed assets available for sale will be recorded when the assets are sold.

**Capital Assets** - Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

• School Buildings	50 years
• Improvements	25 years
• Band Instruments	7 years
• Computers and Related Equipment	5 years
• Furniture and Equipment	10 years
• Vehicles	12 years

As of June 30, 2018, the District has not reported Capital Assets in the statement of Net Position-regulatory basis. See Note 16.

**Compensated Absences** – Sick leave is provided to all personnel who work more than 172 contract days per year. Employees on 9 or 10-month contracts earn 10 days per year. Employees on 12-month contracts earn 12 days per year. The District has a sick leave accumulation incentive program to encourage accumulation of sick leave by offering a stipend at time of termination or retirement. The stipend is based on a tier system, which pays a different rate per day for each tier, from \$5 per day to \$20 per day. The maximum amount of the stipend is \$3,000.

**Personnel** in a full-time position, six or more hours per day, earn vacation time based on years of service. Those with less than 4 years of service earn 1 day per month of employment up to a maximum of 10 days per year and accumulated maximum of 20 days. Those with 4 or more years of service earn 1.5 days per month of employment up to a maximum of 15 days per year and an accumulated maximum of 30 days. Upon retirement or termination, the accumulated days are reimbursed at the employee's effective rate of pay.

**Budgets and Budgetary Accounting** - The District is required by state law to prepare an annual budget. A

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preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Because a majority of voters of the District approved a permanent levy in 2001 for the emergency levy and local support levy, an election to approve the levy is no longer held.

No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

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

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

Cash and Cash Equivalents - The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on month-end deposit balances. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

Investments - The District's investment policies are governed by state statutes. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

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

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid for a period of three years or more as of the date such taxes first become due, the property is offered for sale.

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. Approximately 56% of the District's revenue comes from state sources.

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 earmarked for these programs be expended only for the programs 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.

Interfund Transfers - During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions that are normal and recurring between funds are recorded as transfers.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 -Net Position and Fund Balance**

*District-Wide Financial Statements* – When the District incurs an expense for which it may use either restricted or unrestricted Net Position, it uses restricted Net Position first unless unrestricted Net Position will have to be returned because they were not used. Net Position on the Statement of Net Position include the following:



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Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets. As of June 30, 2018, the balance of Net Investment in Capital Assets is the debt related to capital assets, since the prior year amount of capital assets was removed since they did not have records to support balances. See Note 17 for further discussion.

Restricted for Debt Service – The component of net position that reports the amount of funds restricted for payment of principal and interest on debt. This amount is restricted by enabling legislation and debt covenants.

Restricted for Buildings – The component of net position that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by enabling legislation.

Restricted for School Organizations – The component of net position that report the assets restricted for use by student organizations and extracurricular activities. This amount is restricted by regulations of the Oklahoma State Department of Education.

Restricted for Scholarships – the component of net position that report the assets restricted for scholarships.

Restricted for Other – The component of net position that reports the assets restricted for payment of sick leave incentive program, outstanding workers' compensation claims, and unemployment claims for employees paid with federal salaries.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

The government-wide statement of net position reports \$7,512,960 of restricted net position.

*Governmental Fund Financial Statements* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventory as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant),

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grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school construction expenditures as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Other purposes are restricted for scholarship purposes from contributors.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of expenditures.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. As of June 30, 2018, the District does not have assigned fund balances.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification would also include any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District has not established a formal stabilization arrangement regarding minimum funding requirements.

As of June 30, 2018, fund balances are comprised of the following:

	General Fund	2014 Bond Fund 32	2017 Bond Fund 33	Lease Revenue 2017 Fund 34	Other Governmental Funds	Total Governmental Funds
Nonexpendable						
Inventory	\$ 216,659	\$ -	\$ -	\$ -	\$ -	\$ 216,659
Restricted						
Debt Service	-	-	-	-	3,577,430	3,577,430
School Construction and Fixed Assets	-	5,427,411	53,537,334	1,115,187	4,911,202	64,991,134
Building Operation and Maintenance	-	-	-	-	2,002,368	2,002,368
Scholarships	-	-	-	-	(5,500)	(5,500)
Committed						
School Organizations	-	-	-	-	1,901,475	1,901,475
Unassigned	17,747,267	-	-	-	-	17,747,267
	<u>\$ 17,963,926</u>	<u>\$5,427,411</u>	<u>\$ 53,537,334</u>	<u>\$ 1,115,187</u>	<u>\$ 12,386,975</u>	<u>\$ 90,430,833</u>

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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**Note 3 - Cash and Investments**

Deposits – At June 30, 2018, the bank balance of deposits and cash pools was \$7,828,043. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2018, the District was not exposed to custodial credit risk.

Investments - The District participates in an external investment pool, Oklahoma Public School Liquid Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association, Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and the Oklahoma Association of School Business Officials. OLAP is governed through an inter local cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP reported value and fair market value are equal at June 30, 2018. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit [www.OLAPonline.org](http://www.OLAPonline.org). OLAP’s portfolio consists of cash and short-term investments valued at amortized cost which approximates fair value. OLAP invest in obligations of the U.S Government, its agencies and instrumentalities and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and the OLAP custodian takes delivery of the collateral. . Total external pool investments at June 30, 2018 are \$43,748,428 which are shown on the statement of net position as unrestricted \$43,700,650 and on the statement of fiduciary net position at \$47,778.

The District holds the following investments in the endowment fund:

Type of Investment	Cost	Fair Value	Investment Maturities (in Years)			
			Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Money-Market Mutual Funds	\$ 14,205	\$ 13,303	\$ 13,303			
Federal Agencies	11,795	9,101	37	337	8,727	
			<u>\$ 13,340</u>	<u>\$ 337</u>	<u>\$ 8,727</u>	<u>\$ -</u>
Mutual Funds	117,190	119,707				
	<u>\$ 143,190</u>	<u>\$ 142,111</u>				

Credit Risk - Investments – 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 exposure arising from concentration of investments. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. OLAP held securities of \$43,748,428 have Standard & Poor’s ratings of 8.9 percent AA+, 2.0 percent AA-, and 89.1 percent NR. Securities with NR rating are bank deposit accounts. Investments held in the endowment fund in money market mutual funds and federal agencies are rated Aaa by Moody’s. Investments within the mutual funds are rated based on individual holdings of each fund. The mutual funds as a whole are not rated.

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 nature of the District’s external investment

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pool and mutual funds, there are no defined maturity dates. The risk related to investments in the endowment fund are shown in the table above. 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.

**Note 4 - Long-Term Liabilities**

The long-term liability balances and activity for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	\$ 9,555,000	\$ 6,835,000	\$ 1,695,000	\$ 14,695,000	\$ 3,915,000
CCPFA Lease Purchase	-	55,000,000	-	55,000,000	8,705,000
Lease Purchase/HP Computers	256,872	-	256,872	-	-
Compensated absences	1,462,826	538,379	478,460	1,522,745	107,676
	<u>\$ 11,274,698</u>	<u>\$ 62,373,379</u>	<u>\$ 2,430,332</u>	<u>\$ 71,217,745</u>	<u>\$ 12,727,676</u>

Payments on bonds are made by the debt service fund with property taxes. The lease purchase is liquidated with general obligation bond proceeds. Compensated are generally liquidated by the general fund.

Bonds: Bonds payable June 30, 2018, is composed of the following individual general obligation bond issues:

Original Issue Amount	Purpose	Issue Date	Final Payment	Interest Rates	Maturity
5,085,000	Combined Purpose	3/1/2016	1,695,000	Variable	3/1/2020
4,470,000	Combined Purpose	5/1/2017	2,250,000	1.500%	5/1/2020
3,060,000	Building Bonds	2/1/2018	1,020,000	Variable	2/1/2022
3,775,000	Combined Purpose	12/1/2017	1,265,000	Variable	12/1/2021

The annual requirements to amortize all bond debt outstanding as of June 30, 2018 including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 3,915,000	\$ 230,468	\$ 4,145,468
2020	6,220,000	288,855	6,508,855
2021	2,275,000	98,313	2,373,313
2022	2,285,000	36,213	2,321,213
	<u>\$ 14,695,000</u>	<u>\$ 653,849</u>	<u>\$15,348,849</u>

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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 obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2018 is \$43,129,111.

Proceeds of general obligation bond issues are recorded in the bond fund and at least 85% of the proceeds are restricted to the use for which they were approved in the bond elections.

The District has entered financing arrangements with Comanche County Educational Facilities Authority (see Note 13). These financing arrangements are accounted for as capital leases, since for accounting purposes the title transfers at the end of lease term. The leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments for years ending June 30, are as follows:

Year Ending June 30	Future Minimum Lease Payments	Less Interest	Present Value of Minimum Lease Payments
2019	\$ 10,703,614	\$ (1,998,614)	\$ 8,705,000
2020	2,367,775	(1,442,775)	925,000
2021	4,764,007	(1,414,007)	3,350,000
2022	5,709,822	(1,309,822)	4,400,000
2023	10,462,982	(1,172,982)	9,290,000
Thereafter	31,200,447	(2,870,447)	28,330,000
	<u>\$ 65,208,647</u>	<u>\$ (10,208,647)</u>	<u>\$ 55,000,000</u>

#### Pledged Revenues

The District has pledged \$65,208,647 of future issuances of general obligation bonds to repay \$55,000,000 plus interest leave revenues bonds with Comanche County Educational Facilities Authority (CCEFA). Proceeds from the lease revenues bonds are to be for the construction and placement of improvements on real property. The general obligation bonds of the District will be issued prior to the payment due to of lease purchase payments to CCEFA. One hundred percent of the general obligation bonds will be used to pay the lease revenue bond payments and bond issuance costs. The annual payments will start June 1, 2019 and will continue with final payment due to CCEFA on June 1, 2028.

Property tax revenues collected by the District are pledged to repay the District's General Obligation Bonds. As of June 30, 2018, \$14,695,000 general obligations were outstanding and \$106,845,000 of general obligations bonds were authorized but not issued as of June 30, 2018. Current year had collected \$3,293,995 of pledged revenues and paid \$1,877,310 of principal and interest expenses toward

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obligations.

**Note 5 - Employee Retirement System**

Teachers' Retirement System of Oklahoma

Plan Description – The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publically available financial report that can be obtained at <http://www.ok.gov/trs/>.

Benefits Provided – The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2018, qualifying employee contributions were reduced by a retirement credit of \$704,025 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2018, the District had a statutory contribution rate of 9.5% plus 7.80% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2018, the District contributions to the System for were \$5,949,341.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$4,093,947.

Pension Liability and Pension Expense

For the year ended June 30, 2018, the District's proportionate share of the net pension liability was \$93,709,621. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 1.41226594%, which decreased 0.00548722 % from the proportion measured as of June 30, 2016.

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The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.50%	2.50%
Domestic Equity	38.50%	7.50%
International Equity	19.00%	8.50%
Real Estate	9.00%	4.50%
Alternative Assets	10.00%	6.10%
	<u>100.00%</u>	

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate share of the net pension liability	\$ 129,067,549	\$ 93,709,621	\$ 64,110,968

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

#### **Note 6 - Other Post-Employment Benefits (OPEB)**

In addition to the retirement plan described in Note 5, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers' Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS).

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Plan Description – The OPEB System pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

Benefits Provided – All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments made on the retirees' behalf to the Employees Group Insurance Division of the Office of Management and Enterprise Services, if the member continues health coverage under that Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.15% of normal cost, as determined by an actuarial valuation.

Since the District prepares the financials under regulatory basis as required by the Oklahoma State Department of Education, the net OPEB liability (asset) is disclosure only. At June 30, 2018, the District's proportionate share of the net OPEB asset was \$629,789. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined.

At June 30, 2017, the District's proportion was 1.41226594%, as compared to its proportion share of 1.41775316% measured as of June 30, 2016.

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate – The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate share of the OPEB liability (asset)	\$ (26,362)	\$ (629,789)	\$ (1,145,710)

Due to the structure of the OPEB plan, healthcare cost trend rate sensitivity analysis is not meaningful.



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

**Note 7 - Commitments and 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.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District’s sinking fund over a three-year period pursuant to state law.

In exchange for \$50, the District entered into a lease with the City of Lawton for use of the original Lawton High School building. The lease has a 50 year term commencing fiscal year 2010. The property will become the City of Lawton’s at the end of the lease.

The District has outstanding construction and purchase commitments of approximately \$4,025,000 to be financed from bond funds and \$1,524,000 to be financed from sales tax fund.

**Note 8 - 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 and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 9 - Interfund transactions**

Interfund amounts result from short term cash funding in pooled cash. Transfers are used to move revenues to the fund that state statute requires them to be accounted for.

Transfer From	Transfer to	Amount	Nature of Transfer
Activity Fund	General Fund	307,679	Operating transfer
		<u>307,679</u>	

**Note 10 - Operating Lease**

The District has a lease with a vendor for the use of copier machines at all District locations. February 2016, a lease was executed for 36 months. The lease is renewable at the District’s option for one year increments. The total lease expense paid by the District for the year ended June 30, 2018 was approximately \$450,000. Total lease expense anticipated for fiscal year 2018 is approximately \$450,000.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

**Note 11 - Inventories**

Inventory consists of the following at June 30, 2018:

	Balance Sheet Governmental Funds - Regulatory Basis	Statement of Net Position - Regulatory Basis
Fuel:	29,981	29,981
Supplies:	186,678	186,678
USDA Food Commodities:	-	7,792
Total Inventories:	<u>\$ 216,659</u>	<u>\$ 224,451</u>

**Note 12 - Sales Tax Agreement**

On October 28, 2014, the District signed an agreement with the City of Lawton to receive seven-eighths of one percent (0.875%) sales tax for specified capital improvements, which include school building upgrades, renovation/remodeling and the purchase of vehicles. The District will receive up to \$12.5 million in the first five years of the collections. The District accounts for the tax revenues separately in the municipal tax fund. Per the agreement, the District is to provide a report of expenditures to the City on a calendar quarter basis.

**Note 13 – Lease Revenue Bond Agreements**

On March 29, 2018 the Board of Education entered into ground lease and sublease agreements with the Comanche County Educational Facilities Authority (CCEFA), a public trust, for the purpose of facilitating the issuance of the bonds, to provide security for payment of the bonds, and to enable the District to utilize the bond proceeds for the construction and placement of improvements on real property. The lease agreements will remain in effect to June 30, 2028. The Authority advanced \$55,000,000 in lease revenue bonds, series 2017, to the District for the acquisition and construction of buildings and improvements. The District will use money received from general obligation debt to repay the lease. The advanced funds are being held in a trust and District remits applications for payments. The balance of the advanced funds is reported as Restricted Cash in Lease Revenue 2017 Fund 34 on Balance Sheet of Governmental Funds and on the Statement of Net Position.

**Note 14 – Tax Abatement**

The State of Oklahoma has authorized by the Oklahoma State Statutes Title 31 to offer homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District.

For the year ended June 30, 2018, abated property taxes were \$1,825,751.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

**Note 15 – New GASB Standards**

GASB Statement No.75, Postemployment Benefits Other Than Pensions establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures. Furthermore, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered by trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. Since the District's financial statements are reported using the cash receipts and disbursements modified basis as required by the regulations of the Oklahoma Department of Education, the net OPEB liability (asset) is not required to be presented in these financial statements, but the District's portion of net OPEB liability (asset) is disclosed in Note VII to the financial statements.

**Note 16 – Restatement of Beginning Balances**

Due the lack of adequate records for capital assets for the year ended June 30, 2018, the capital assets have been removed from the financial statements. This has resulted in a restatement of capital assets, net position on the statement of net position regulatory basis and beginning net position on the government activities statement of activities. The restatement has resulted in a decrease of capital assets, and net position of \$110,874,793. The remaining balance of \$3,944,764 of invested in capital assets, was the portion related to debt as of June 30, 2017. The portion of debt related to capital assets in fiscal year 2018, was unable to be determined due to lack of supporting records for capital assets.

	Previously Presented as of 6/30/2017	Restatement	Restated Balance as of 6/30/17
Statement of Net Position-Regulatory Basis			
Capital Assets:			
Nondepreciated Capital Assets	4,549,742	(4,549,742)	-
Depreciated Capital Assets, Net of Depreciation	106,325,052	(106,325,052)	-
Net Position			
Net Investment in Capital Assets	114,819,557	(110,874,793)	3,944,764
Restricted For			
Building Services	1,636,032		1,636,032
Debt Services	2,058,206		2,058,206
Other	45,197		45,197
Scholarships	2,500		2,500
School Organizations	1,948,746		1,948,746
Unrestricted	15,410,180		15,410,180
Total Net Position:	<u>135,920,418</u>		<u>25,045,625</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2018

**Note 17 – Subsequent Event**

March 2019, the District issued \$14,380,000 in combined purpose general obligation bonds. \$2,695,000 of bonds authorized in April 2014 election plus \$11,685,000 of bonds authorized in November 2017 election are included in the March 2019 bonds issue. The remaining authorized bonds to be issued for the April 2014 and November 2017 elections are \$7,710,000 and \$84,755,000, respectively.

The District has evaluated subsequent events through April 29, 2019, the date which the financial statements were available to be issued.

**OTHER SUPPLEMENTARY INFORMATION**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Balance Sheet – Other Governmental Funds – Regulatory Basis  
June 30, 2018

	Building Fund	Municipal Tax Fund 26	2004 Bond Fund 31	Activity Fund	Sinking Fund	Gifts Fund	Municipal Tax Fund 25	Total
<b>Assets</b>								
Cash and Cash Investments	\$ 2,052,402	\$ 4,017,692	\$ -	\$ 35,152	\$ 1,577,430	\$ 7,750	\$ 274,456	\$ 7,964,882
Pooled Cash and Investments	-	-	1,515,000	1,866,323	2,000,000	-	-	5,381,323
Due from Other Funds	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 2,052,402</u>	<u>\$ 4,017,692</u>	<u>\$ 1,515,000</u>	<u>\$ 1,901,475</u>	<u>\$ 3,577,430</u>	<u>\$ 7,750</u>	<u>\$ 274,456</u>	<u>\$ 13,346,205</u>
<b>Liabilities</b>								
Warrants Outstanding	\$ 50,034	\$ 303,721	\$ 174,885	\$ -	\$ -	\$ 13,250	\$ -	\$ 541,890
Due to Other Funds	-	-	417,340	-	-	-	-	417,340
<b>Total Liabilities</b>	<u>\$ 50,034</u>	<u>\$ 303,721</u>	<u>\$ 592,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,250</u>	<u>\$ -</u>	<u>\$ 959,230</u>
<b>Fund Balances</b>								
Restricted	\$ 2,002,368	\$ 3,713,971	\$ 922,775	\$ -	\$ 3,577,430	\$ (5,500)	\$ 274,456	\$ 10,485,500
Committed	-	-	-	1,901,475	-	-	-	1,901,475
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>2,002,368</u>	<u>3,713,971</u>	<u>922,775</u>	<u>1,901,475</u>	<u>3,577,430</u>	<u>(5,500)</u>	<u>274,456</u>	<u>12,386,975</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,052,402</u>	<u>\$ 4,017,692</u>	<u>\$ 1,515,000</u>	<u>\$ 1,901,475</u>	<u>\$ 3,577,430</u>	<u>\$ 7,750</u>	<u>\$ 274,456</u>	<u>\$ 13,346,205</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Revenue, Expenditures and Changes in Fund Balance  
– Other Governmental Funds – Regulatory Basis  
For the Year Ended June 30, 2018

	Building Fund	Municipal Tax Fund 26	2004 Bond Fund 31	Activity Fund	Sinking Fund	Gifts Fund	Municipal Tax Fund 25	Total
<b>REVENUE</b>								
Property Taxes	\$ 2,265,577	\$ -	\$ -	\$ -	\$ 3,295,730	\$ -	\$ -	\$ 5,561,307
Interest	18,149	-	-	20,095	9,075	-	-	47,319
State Revenue	-	-	-	-	-	-	-	-
Federal Revenue	155,734	-	-	-	-	-	-	155,734
Other	-	2,500,000	-	2,575,853	97,809	5,250	-	5,178,912
Total Revenue	<u>\$ 2,439,460</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,595,948</u>	<u>\$ 3,402,614</u>	<u>\$ 5,250</u>	<u>\$ -</u>	<u>\$ 10,943,272</u>
<b>EXPENDITURES</b>								
Current								
Instruction	\$ -	\$ -	\$ -	\$ 342,690	\$ -	\$ -	\$ -	\$ 342,690
Support Services	1,853,815	1,711,926	1,476,853	1,224,512	-	13,250	-	6,280,356
Non-instruction Services	-	-	-	768,338	-	-	-	768,338
Capital Outlay	219,309	134,733	318,490	-	-	-	43,476	716,008
Debt Service								
Judgments and Related Interest	-	-	-	-	6,080	-	-	6,080
Interest Paid	-	-	-	-	182,310	-	-	182,310
Principal Retirement	-	-	-	-	1,695,000	-	-	1,695,000
Total Expenditures	<u>\$ 2,073,124</u>	<u>\$ 1,846,659</u>	<u>\$ 1,795,343</u>	<u>\$ 2,335,540</u>	<u>\$ 1,883,390</u>	<u>\$ 13,250</u>	<u>\$ 43,476</u>	<u>\$ 9,990,782</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	366,336	653,341	(1,795,343)	260,408	1,519,224	(8,000)	(43,476)	952,490
Other Financing Sources								
Transfers	-	-	-	(307,679)	-	-	-	(307,679)
Total Other Financing Sources	-	-	-	(307,679)	-	-	-	(307,679)
Net Change in Fund Balances	366,336	653,341	(1,795,343)	(47,271)	1,519,224	(8,000)	(43,476)	644,811
Fund Balances, Beginning	1,636,032	3,060,630	2,718,118	1,948,746	2,058,206	2,500	317,932	11,742,164
Fund Balances, Ending	<u>\$ 2,002,368</u>	<u>\$ 3,713,971</u>	<u>\$ 922,775</u>	<u>\$ 1,901,475</u>	<u>\$ 3,577,430</u>	<u>\$ (5,500)</u>	<u>\$ 274,456</u>	<u>\$ 12,386,975</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2018

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2018</u>
801	FOOTBALL EXTRAS	27,705	7,173	(20,711)	14,167
802	BOYS BASKETBALL EXTRAS	9,155	21,589	(17,098)	13,646
803	GIRLS BASKETBALL EXTRAS	3,684	2,103	(3,662)	2,125
805	BOYS BASEBALL EXTRAS	2,798	832	(2,596)	1,034
806	GIRLS SOFTBALL EXTRAS	6,766	11,985	(12,795)	5,956
807	WRESTLING EXTRAS	10,618	997	(10,512)	1,103
811	BOYS TRACK EXTRAS	786	-	(153)	633
812	GIRLS TRACK EXTRAS	594	-	(153)	441
813	BOYS GOLF EXTRAS	571	-	-	571
814	BOYS CROSS COUNTRY EXTRAS	86	400	-	486
815	BOYS SOCCER EXTRAS	52	999	-	1,051
816	GIRLS VOLLEYBALL EXTRAS	1,617	1,009	(482)	2,144
817	TRAINERS EXTRAS	3,223	761	(363)	3,621
819	ALL SPORTS EXTRAS	4,915	14,803	(4,603)	15,115
820	GIRLS SOCCER EXTRAS	2,846	-	(551)	2,295
821	GIRLS GOLF EXTRAS	15	-	-	15
822	GIRLS CROSS COUNTRY EXTRAS	36	-	-	36
830	DISTRICT ATHLETICS	267,365	(18,277)	(6,392)	242,696
831	DISTRICT CONCESSION	66,762	76,221	(60,650)	82,333
832	ATHLETICS (DISTRICT)	71,583	42,195	(69,752)	44,026
833	DISTRICT BASEMENT SUPPLY	677		(2,132)	(1,455)
836	DISTRICT SWIMMING	461	8,514	(8,367)	608
837	DRUG TESTING	100	-	-	100
840	ATHLETICS (SITES)	159,509	437,272	(425,066)	171,715
850	GENERAL	238,077	304,167	(330,465)	211,779
851	ACADEMIC TEAM	5,918	3,905	(3,894)	5,929
852	AGRICULTURE	23,035	82,936	(84,110)	21,861
853	AP EXAM	15,000	16,882	(16,891)	14,991
854	ART	20,421	30,961	(24,914)	26,468
855	A.H.S.C. ACTIVITIES	125	-	-	125
856	ASSISTANCE CLUB	19,190	8,645	(13,635)	14,200
857	ARTS IN EDUCATION	102	-	-	102
858	ACE	20,150	3,042	(4,976)	18,216
859	ADVANCE PLACEMENT	11	-	-	11
860	BAND	9,132	24,215	(28,212)	5,135
861	BUILDERS CLUB	3,022	3,083	(1,844)	4,261
862	BUSINESS	318	50	(289)	79
863	BOE REIMBURSEMENT	5,958	17,883	(15,592)	8,249
864	CAMPUS CRIME STOPPER	950	-	(9)	941
865	AMERICAN STUDIES CLUB	681	1,215	(783)	1,113
866	AMERICAN SIGN LANGUAGE	1,423	554	(241)	1,736
867	CHEERLEADERS	25,182	57,952	(46,671)	36,463
868	CHEMISTRY	3,878	1,528	(2,414)	2,992
869	CLOSE-UP	97	-	-	97
871	6TH GRADE TEAM	5,834	8,701	(7,056)	7,479
872	7TH GRADE TEAM	4,876	4,608	(3,602)	5,882
873	8TH GRADE TEAM	2,130	11,521	(11,477)	2,174



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2018

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITIES</u>	<u>BALANCE JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2018</u>
875	CONCESSIONS	24,742	24,645	(35,620)	13,767
881	CULTURAL AWARENESS	1,368	25	(79)	1,314
883	COUNSELORS	1,984	(25)	-	1,959
884	ANIME	-	41	-	41
885	DRAMA	4,322	4,187	(3,225)	5,284
886	LETTERMEN CLUB	16,603	5,076	(5,222)	16,457
887	COMPUTER CLASS	669	259	(683)	245
888	AFRICAN AMER. MULT.	4,323	1,277	(1,758)	3,842
889	FFA	3,106	1,757	(3,153)	1,710
890	FCA	827	1,285	(1,140)	972
891	FCCLA	4,888	3,470	(3,230)	5,128
892	FBLA	135	-	-	135
893	CHARACTER ED	-	702	(509)	193
894	FENCING CLUB	1,184	-	(215)	969
895	FRENCH CLUB	1,790	1,349	(1,842)	1,297
896	FISHING CLUB	227	183	(60)	350
897	GERMAN CLUB	110	(110)	-	-
898	FFA HORTICULTURE	8,765	9,167	(9,245)	8,687
901	GIFTED/TALENTED	2,433	3,364	(3,456)	2,341
902	DRILL TEAM	12,718	23,856	(29,107)	7,467
903	MENTORSHIP PROGRAM	2,583	13,545	(11,337)	4,791
904	NEWSPAPER	638	364	(614)	388
905	LIBRARY	77,569	167,107	(162,396)	82,280
906	KEY CLUB	12,600	25,265	(26,485)	11,380
907	MATHEMATICS	4,375	2,382	(1,544)	5,213
908	NHS	11,175	9,421	(7,065)	13,531
909	NJHS	5,386	6,878	(5,242)	7,022
910	MISC. EXPENSE	18,307	47,972	(32,784)	33,495
911	NATIVE AMERICAN CLUB	4,473	1,141	(665)	4,949
912	MILITARY CHILD CLUB	3,377	3,421	(2,849)	3,949
913	OPEN DOORS	118	-	(49)	69
914	ORCHESTRA	7,509	23,723	(25,056)	6,176
915	PHYSICS	146	1,080	(1,050)	176
916	PHYSICAL EDUCATION	3,999	8,995	(3,710)	9,284
917	ROBOTICS	4,288	4,871	(4,353)	4,806
918	PEP CLUB	2,213	10,461	(10,885)	1,789
919	PICTURES	73,253	25,254	(25,547)	72,960
920	JROTC	33,588	39,343	(38,452)	34,479
921	RENAISSANCE	8,477	5,000	(4,793)	8,684
922	RESOURCE CENTER	10,003	845	(2,909)	7,939
924	SCIENCE CLUB	14,468	13,695	(12,519)	15,644
925	ELECTIVES	3,766	1,571	(865)	4,472
926	LPS STROLLING STRING	1,753	1,550	(1,281)	2,022
927	SPANISH CLUB	2,875	4,874	(4,573)	3,176

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2018

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITIES</u>	<u>BALANCE JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2018</u>
928	SPEECH & DEBATE	471	368	(445)	394
929	SPECIAL EDUCATION	10,882	1,803	(5,516)	10,559
931	STUDENT COUNCIL	35,107	86,710	(84,432)	38,735
932	HUMAN RESOURCES	800	-	(784)	16
933	STUDENT STORE	13,637	6,196	(10,581)	9,251
934	SENIORS 2020	419	1,624	(1,312)	802
935	SENIORS 2021	-	3,240	(2,028)	1,188
936	SENIORS 2022	7,659	(3,156)	-	7,659
937	SENIORS 2018	1,278	11,544	(7,732)	4,011
938	SENIORS 2019	97	1,285	(1,033)	335
939	AUTISM	1,091	1,702	(1,369)	1,423
940	SUMMER SCHOOL	860	-	-	860
941	RUNNING CLUB	378	-	-	378
942	DISTRICT TESTING	-	394	(269)	125
943	TECHNOLOGY	3,948	250	(2,349)	1,599
944	TECHNOLOGY STUDENT ASSOC	133	-	-	133
945	TEXTBOOKS	62	730	-	792
946	VOCAL MUSIC	22,822	103,028	(105,578)	20,197
947	TECH-NOW	4,208	515	(3,119)	1,579
949	PARTNER'S CLUB	-	100	(39)	261
950	STUDENT SERVICES	177	-	-	177
951	YEARBOOK	66,104	111,605	(122,966)	54,185
952	PARENT INVOLVEMENT	173	-	-	173
953	ACCELERATED READING	95	-	-	95
954	WEIGHTROOM LIFTATHON	4,159	15,687	(16,049)	3,797
957	MIDDLE LEAP	-	115	-	-
959	CHESS CLUB	565	-	(58)	507
960	COMMISSION	151,608	73,204	(80,607)	143,864
961	FRIENDS IN NEED	5,530	7,154	(3,356)	8,864
962	LPS CHRISTMAS CHEER	2,214	2,577	(1,667)	3,124
963	SCRAPBOOKING	923	20	(74)	869
964	INTERACT ROTARY CLUB	14	-	-	14
969	LA WTON JROTC DRILL MEET	1,435	(1,400)	-	35
970	X-TENDED TIME	26,772	42,970	(42,417)	28,860
971	X-TENDED TIME BOARD	-	250,488	(250,488)	564
973	TEEN COUNCIL	82	-	-	82
974	ARCHERY	8,641	(7,153)	(633)	9,004
975	HOLDING ACCOUNT	1,477	-	(224)	1,253
976	OKLAHOMA DECATHLON	-	-	-	-
977	SPEECH PATHALOGY	335	-	-	335
978	MEDIA CLUB	100	-	(100)	-
979	GAY STRAIGHT ALLIANCE	988	105	-	1,093
981	HOMELESS EDUCATION	5,675	5,070	(3,581)	5,139
983	YOUTH IN GOVERNMENT	799	7,060	(7,113)	746
984	DESIGNATED CONTRIBUTIONS	87,230	41,290	(35,279)	94,105
985	STAGE PRODUCTION	47	-	-	47
986	FACULTY IN-SERVICE	3	-	-	3
987	TITLE I SUMMER KINDERGARTEN AC	277	-	-	277
988	VISION IMPAIRED	527	-	-	527
989	AP ECONOMICS	2,987	360	(827)	2,161
990	SPECIAL OLYMPICS	12,190	19,556	(18,654)	8,957
991	MEDIA PRODUCTIONS	1,103	-	-	1,103
993	LEADERSHIP	507	-	(214)	293
994	LPS FOUNDATION GRANTS	-	107,168	(107,168)	1,292
995	FACULTY FUND	2,790	9,269	(9,061)	2,998
997	IPAD REPAIR/REPLACE	14,780	23,333	(6,765)	21,031
998	LA WTON COMMUNITY SERVICES	27	-	-	27
		39			
		1,948,753	2,614,501	(2,662,567)	1,901,475

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2017	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2018
<b>U.S. Dept. of Education</b>						
Direct Program						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (86,248)	\$ 228,174	\$ 230,696	\$ (88,770)
Impact Aid	84.041	591/592	\$ -	\$ 5,608,703	\$ 5,608,703	\$ -
Passed Through the Bureau of Indian Education						
Johnson-O'Malley Program	15.130	563	\$ 62,552	\$ 59,072	\$ 57,037	\$ 64,587
Passed Through Oklahoma Department of Career and Technology Education						
Vocational Education - Basic Grant to States	84.048	421	\$ (33,211)	\$ 87,308	\$ 74,046	\$ (19,949)
Vocational Education - Basic Grant to States - Supplement	84.048	424	(18,357)	18,357	-	-
			\$ (51,568)	\$ 105,665	\$ 74,046	\$ (19,949)
<b>Passed Through State Department of Education:</b>						
Title I, Grants to Local Educational Agencies	84.010	511/512/515/786	\$ (607,416)	\$ 3,614,038	\$ 3,611,797	\$ (605,175)
		613/615/621				
Special Education - Grants to States	84.027	/625	\$ (814,714)	\$ 3,069,418	\$ 3,016,484	\$ (761,780)
Special Education - Preschool Grants	84.173	641/642	(18,149)	68,348	65,134	(14,935)
Special Education Cluster			\$ (832,863)	\$ 3,137,766	\$ 3,081,618	\$ (776,715)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	541/786	\$ (100,991)	\$ 587,778	\$ 517,994	\$ (31,207)
Title II - Technical Assistance Allocation	84.367	543	(5,718)	5,718	-	-
			\$ (106,709)	\$ 593,496	\$ 517,994	\$ (31,207)
Title II - Part B Math and Science	84.336	542/544	-	-	-	-
Title III, Part A - Limited English Proficiency	84.365	571/572/786	(8,558)	79,133	73,379	(2,804)
Title X - Part C McKinney Homeless	84.196	596	(11,231)	68,090	69,514	(12,655)
			\$ (19,789)	\$ 147,223	\$ 142,893	\$ (15,459)

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2017	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2018
<i>Passed Through State Department of Career and Vocational Education:</i>						
Job Training Department of Rehabilitation Services	84.126	456	(1,686)	99,383	97,828	(131)
<b>Total U.S. Department of Education</b>			<u>\$ (1,643,727)</u>	<u>\$ 13,593,520</u>	<u>\$ 13,422,612</u>	<u>\$ (1,472,819)</u>
<i>U.S. Department of Agriculture</i>						
<i>Passed Through Oklahoma State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 3,983,446	\$ 2,692,266	\$ 1,291,180
School Breakfast Program	10.553	764	-	1,746,855	1,180,636	566,219
Summer Food Service Program	10.559	766	(31,976)	80,953	119,944	(70,967)
Lunch Program - Commodities	10.555		15,131	452,336	460,378	7,089
Summer Food Service Program -Commodities	10.559		865	9,193	9,356	702
Child Nutrition Cluster			<u>\$ (15,980)</u>	<u>\$ 6,272,783</u>	<u>\$ 4,462,580</u>	<u>\$ 1,794,223</u>
Equipment Assistant Grant	10.579	791	<u>-</u>	<u>-</u>	<u>20,502</u>	<u>(20,502)</u>
<b>Total U.S. Department of Agriculture</b>			<u>\$ (15,980)</u>	<u>\$ 6,272,783</u>	<u>\$ 4,483,082</u>	<u>\$ 1,773,721</u>
<i>U.S. Department of Defense</i>						
<i>Direct Program</i>						
Community Economic Adjustment	12.600	772	\$ -	\$ 155,734	\$ 155,734	\$ -
STEM for K-12 & Institutions of Higher Learning--Science Grant	12.330	776	\$ -	\$ -	\$ -	\$ -
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools-- Middle Schools	12.556	777	\$ (147,622)	\$ 199,246	\$ 68,593	\$ (16,969)
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools-- Elementary Schools	12.556	775		\$ 18,815	\$ 246,719	\$ (227,904)
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools-- High Schools	12.556	779	\$ (26,174)	\$ 79,939	\$ 66,066	\$ (12,301)
Invitational Grants for Military-Connected Schools-Special Education	12.557	778	<u>\$ (103,262)</u>	<u>\$ 159,075</u>	<u>\$ 60,811</u>	<u>\$ (4,998)</u>
<b>Total U.S. Dept. of Defense</b>			<u>\$ (277,058)</u>	<u>\$ 612,809</u>	<u>\$ 597,923</u>	<u>\$ (262,172)</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ (1,936,765)</u>	<u>\$ 20,479,112</u>	<u>\$ 18,503,617</u>	<u>\$ 38,730</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lawton Independent School District No. 8, Comanche County, Oklahoma under programs of the federal government for the year ended June 30, 2018. The information in this Schedule 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 Lawton Independent School District No.8, Comanche County, OK, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Lawton Independent School District No. 8, Comanche County, OK.

**Note B: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on using the cash basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

**Note C: Indirect Cost Rate**

Lawton Independent School District No. 8, Comanche County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note D: Subrecipients**

Lawton Independent School District No. 8, Comanche County, Oklahoma did not have any awards that have been passed through to subrecipients.

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## **OTHER INFORMATION**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Budgetary Comparison Schedule –General Fund (Unaudited)  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Variance
	Original	Final	Amounts	With Final Budget
<b>REVENUE</b>				
Property Taxes	\$ 13,985,594	\$ 13,985,594	\$ 15,837,333	\$ 1,851,739
Interest	1,686	1,686	436,436	434,750
County Revenue	3,015,660	3,015,660	2,346,482	(669,178)
State Revenue	69,247,216	69,247,216	69,816,478	569,262
Federal Revenue	22,337,652	22,337,652	20,098,471	(2,239,181)
Other	351,083	351,083	1,691,975	1,340,892
Total Revenue	<u>\$ 108,938,891</u>	<u>\$ 108,938,891</u>	<u>\$ 110,227,175</u>	<u>\$ 1,288,284</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 88,760,008	\$ 88,760,008	\$ 57,729,453	\$ 31,030,555
Support Services	23,786,367	23,786,367	43,873,692	(20,087,325)
Non-instruction Services	7,975,345	7,975,345	7,434,757	540,588
Other Outlays	5,604,179	5,604,179	271,304	5,332,875
Total Expenditures	<u>\$ 126,125,899</u>	<u>\$ 126,125,899</u>	<u>\$ 109,427,936</u>	<u>\$ 16,697,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (17,187,008)</u>	<u>\$ (17,187,008)</u>	<u>\$ 799,239</u>	<u>\$ 17,986,247</u>
Other Financing Sources				
Transfers In	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>307,679</u>	<u>(22,321)</u>
Total Other Financing Sources	<u>330,000</u>	<u>330,000</u>	<u>307,679</u>	<u>(22,321)</u>
Net Change in Fund Balance	(16,857,008)	(16,857,008)	1,106,918	17,963,926
Fund Balance - Beginning	<u>16,857,008</u>	<u>16,857,008</u>	<u>16,857,008</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,963,926</u>	<u>\$ 17,963,926</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Budgetary Comparison Schedule –Building (Unaudited)  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
<b>REVENUE</b>				
Property Taxes	\$ 1,999,622	\$ 1,999,622	\$ 2,283,726	\$ 284,104
Federal Revenue	169,000	169,000	155,734	(13,266)
Total Revenue	<u>\$ 2,169,849</u>	<u>\$ 2,169,849</u>	<u>\$ 2,439,460</u>	<u>\$ 269,611</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 60,000	\$ 60,000	\$ -	\$ 60,000
Support Services	3,576,881	3,576,881	1,853,815	1,723,066
Non-instruction Services	-	-	-	-
Capital Outlay	169,000	169,000	219,309	(50,309)
Total Expenditures	<u>\$ 3,805,881</u>	<u>\$ 3,805,881</u>	<u>\$ 2,073,124</u>	<u>\$ 1,732,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,636,032)	(1,636,032)	366,336	2,002,368
Fund Balance - Beginning	1,636,032	1,636,032	1,636,032	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,368</u>	<u>\$ 2,002,368</u>



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Statutory Fidelity and Honesty Bonds (unaudited)  
For the Year Ended June 30, 2018

<u>Bonding Company</u>	<u>Position Bond Type</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Effective Dates</u>
CAN Surety	Superintendent	0601-71399290	\$100,000	7/1/2017 - 6/30/2018
American States	Treasurer	32S108651	\$100,000	7/1/2017 - 6/30/2018
American States	Assistant Treasurer	32S108651	\$100,000	7/1/2017 - 6/30/2018
	Custodian of Activity			
American States	Fund	32S108651	\$10,000	7/1/2017 - 6/30/2018
	Assistant Custodian			
American States	of Activity Fund	32S108651	\$1,000	7/1/2017 - 6/30/2018
American States	Clerk	32S108651	\$1,000	7/1/2017 - 6/30/2018
American States	Deputy Clerk	32S108651	\$1,000	7/1/2017 - 6/30/2018
American States	Minutes Clerk	32S108651	\$1,000	7/1/2017 - 6/30/2018
American States	Encumbrance Clerk	32S108651	\$1,000	7/1/2017 - 6/30/2018



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*

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

We have audited, in accordance with the 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise, Lawton Independent School District No. 8, Comanche County, Oklahoma's basic financial statements, and have issued our report thereon dated April 29, 2019. Our report included an adverse opinion on U.S. generally accepted accounting principles because the District prepares its financial statements on a prescribed regulatory basis of accounting. Our report included a qualified regulatory basis opinion on governmental activities and unmodified regulatory basis opinion on major funds and aggregate remaining funds.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma'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 Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma'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 may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2018-001 and 2018-002

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lawton Independent School District No. 8, Comanche County, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002.

### **Lawton Independent School District No. 8's Response to Findings**

Lawton Independent School District No. 8's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lawton Independent School District No. 8's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
April 29, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVERCOMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

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

We have audited Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs for the year ended June 30, 2018. Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance.

***Basis for Qualified Opinion on CFDA 12.556 Promoting K-12 Student Achievement at Military-Connected Schools***

As described in the accompanying schedule of findings and questioned costs, Lawton Independent School District No. 8, Comanche County, Oklahoma, did not comply with requirements regarding CFDA 12.556 Promoting K-12 Student Achievement at Military-Connected Schools as described in finding 2018-004 for Unallowed & Allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for Lawton Independent School District No. 8, Comanche County, Oklahoma to comply with requirements applicable to that program.

***Qualified Opinion on CFDA 12.556 Promoting K-12 Student Achievement at Military-Connected Schools***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lawton Independent School District No. 8, Comanche County, Oklahoma complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on CFDA 12.556 Promoting K-12 Student Achievement at Military-Connected Schools for the year ended June 30, 2018.

***Basis for Qualified Opinion on CFDA 12.557 Military-Connected Schools-DoDEA Grant***

As described in the accompanying schedule of findings and questioned costs, Lawton Independent School District No. 8, Comanche County, Oklahoma, did not comply with requirements regarding CFDA 12.557 Military-Connected Schools-DoDEA Grant as described in finding 2018-005 for Unallowed & Allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for Lawton Independent School District No. 8, Comanche County, Oklahoma to comply with requirements applicable to that program.

***Qualified Opinion on CFDA 12.557 Military-Connected Schools-DoDEA Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lawton Independent School District No. 8, Comanche County, Oklahoma complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on CFDA 12.557 Military-Connected Schools-DoDEA Grant for the year ended June 30, 2018.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Lawton Independent School District No. 8, Comanche County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003. Our opinion on each major federal program is not modified with respects to these matters.

Lawton Independent School District No. 8, Comanche County, Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lawton Independent School District No. 8, Comanche County, Oklahoma's

response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Lawton Independent School District No. 8, Comanche County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003 thru 2018-005, that we consider to be material weaknesses.

Lawton Independent School District No. 8, Comanche County, Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lawton Independent School District No. 8, Comanche County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
April 29, 2019

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**Section I Summary of Auditor's Results**

**Financial Statements:**

Type of audit report:	Unmodified Regulatory Basis	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant Deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported
Noncompliance material to financial statement	<u>  X  </u> Yes	<u>      </u> No

**Federal Awards:**

Internal control over major program:		
Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant Deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported

Type of auditors' report issued on compliance for major programs:	
84.010 Title I	Unmodified
84.041 Impact Aid	Unmodified
12.557 Invitational Grants for Military Connected Schools	Qualified
12.556 Promoting K-12 Student Achievement at Military Connected Schools	Qualified

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?	<u>  X  </u> Yes	<u>      </u> No
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.041	Impact Aid
12.557	Invitational Grants for Military Connected Schools
12.556	Promoting K-12 Student Achievement at Military Connected Schools

Dollar threshold used to distinguish between Type A and Type B programs:	\$	750,000
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Auditee qualified as a low-risk auditee?	<u>      </u> Yes	<u>  X  </u> No
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Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**Section II – Financial Statement Findings**

**2018-001 Financial Reporting**

*Condition:* Material adjustments related to debt and long term liabilities were necessary to prepare the financial statements. In addition, the District was not able to provide supporting documentation to report capital assets as required by the State Department of Education guidelines.

*Criteria:* Generally accepted auditing standards require the financial statements to be a product of the financial reporting system of the entity being audited. The government should be able to provide evidence that a sound financial reporting system is in place to provide reasonable assurance that management is able to prepare the financial statements in conformity with the financial reporting framework.

*Cause:* Management has transitioned and a new financial process has not been implemented.

*Effect:* Potential that a material misstatement of the government's financial statements will not be prevented or detected on a timely basis. The District was not able to demonstrate that a financial reporting system was in place at a sufficient level to assess the adequacy. An audit scope limitation was necessary due to a material financial asset that could not be audited.

*Recommendation:* We recommend that the District evaluate its financial reporting system. The system needs to provide documentation to evaluate its adequacy and minimize the likelihood of material audit adjustments.

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District's financial reporting system was put in place by the previous finance director. The system that was setup in the past was not conducive to use by the current staff. Changes in the processes in the finance department have been implemented. The software vendor has conducted training and is reevaluating the processes and procedures used. Ongoing changes should address efficiency and effectiveness of the finance department and minimize control issues.

**2018-002 Negative Fund Balance**

*Condition:* Gifts Fund 81 has negative fund balance of \$5,500

*Criteria:* Oklahoma Statutes Title 70-5-157 B.1states: It shall be unlawful for any officer or employee of the school district in any budget year, to create or authorize creation of a deficit in any fund.

*Cause:* Checks issued exceed available resources.



Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

*Effect:* Risk of overspending funds.

*Recommendation:* We recommend that the District evaluate monitoring procedures of funds to ensure they have adequate resources before issuing checks.

*Views of Responsible Officials  
and Planned Corrective*

*Action:* Reporting issues were encountered when uploading data to the State Department of Education. District records indicated that the fund had a positive balance. The Finance department is structured to ensure monitoring procedures of all accounts are adhered to so that the possibility of a negative balance is avoided.

**Section III – Federal Award Findings and Questioned Costs**

**2018-003 Preparation of Schedule of Expenditures of Federal Awards (SEFA)**

*Condition:* The schedule of expenditures of federal awards was not prepared by the auditee. Controls were not operating to ensure federal expenditures were properly reconciled to federal revenues.

*Criteria:* 2 CFR 200.510b Schedule of expenditures of federal awards: the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with §200.502.

*Context:* During review of federal expenditures, material adjustments were required to properly report expenditures on the schedule of expenditures of federal awards when reconciled with federal revenues received and requested.

*Cause:* Due to change in management at year end, final reconciliation of federal expenditures to federal revenues was not completed. The financial reporting process was unable to demonstrate that the auditee could prepare the SEFA.

*Effect:* Risk of material misstatements of federal expenditures

*Recommendation:* We recommend that the District evaluates its financial reporting system to include adequate controls over the accumulation of federal awards expended for the preparation of the SEFA.

*Views of Responsible  
Officials And Planned*

*Corrective Action:* The District's financial reporting system has been modified to ensure that the reports needed to reconcile expenditures to that of all Federal grants can be prepared to remove any risk of material misstatement. Personnel responsible for

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

this area will be provided additional training to ensure that, in instances of personnel changes, required actions occur without interruption or neglect.

**U.S. Department of Defense**

**2018-004 Promoting K-12 Student Achievement at Military-Connected Schools  
CFDA#12.556 (OCAS Project 775, 777 & 779)**

*Condition:* Federal program expenditures related to salaries/wages did not have proper time and effort documentation.

*Criteria:* 2 CFR 200.430(i)(1)(vii) Standards for documentation of personnel expenses. (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award.

*Context:* A sample of 83 was selected for a small population less than 250. Ten expenditures were paid related with salaries/wages, which was not properly supported by time and effort documentation.

*Cause:* Internal controls were not implemented related to personnel expenses paid with DoD federal funds.

*Effect:* Risk of unallowable expenditures paid with federal dollars.

*Recommendation:* We recommend that the District implement proper controls for compliance with time and effort standards related to personnel costs paid with DoD federal funds.

*Views of Responsible  
Officials And Planned*

*Corrective Action:* The DoD grant department has been furnished with a sample spreadsheet currently being used by the other federal program administrators to properly track and monitor time and effort of all employees paid out of federal grants. The necessary steps have been taken and procedures put in place to ensure that time and effort is tracked and monitored as required.

**U.S. Department of Defense**

**2018-005 Invitational Grants for Military-Connected Schools--DoDEA Grant  
CFDA#12.557 (OCAS Project 778)**

*Condition:* Federal program expenditures related to salaries/wages did not have proper time and effort documentation.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

<i>Criteria:</i>	2 CFR 200.430(i)(1)(vii) Standards for documentation of personnel expenses. (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award.
<i>Context:</i>	A sample of 6 was selected for a small population. Two expenditures were paid related with salaries/wages, which was not properly supported by time and effort documentation.
<i>Cause:</i>	Internal controls were not implemented related to personnel expenses paid with DoD federal funds.
<i>Effect:</i>	Risk of unallowable expenditures paid with federal dollars.
<i>Recommendation:</i>	We recommend that the District implement proper controls for compliance with time and effort standards related to personnel costs paid with DoD federal funds.
<i>Views of Responsible Officials And Planned Corrective Action:</i>	The DoD grant department has been furnished with a sample spreadsheet currently being used by the other federal program administrators to properly track and monitor time and effort of all employees paid out of federal grants. The necessary steps have been taken and procedures put in place to ensure that time and effort is tracked and monitored as required.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2018

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

**U.S. Department of Defense**

**2017-001 Promoting K-12 Student Achievement at Military-Connected Schools  
CFDA#12.556 (OCAS Project 777 & 779)**

*Condition:* Federal program funds were used to fund elementary site professional development, but only allowed for middle school and high school.

*Recommendation:* The auditor recommended that the District stress the importance of the proper internal controls established and that they should be followed.

*Status:* Condition has been resolved

**U.S. Department of Defense**

**2017-002 Promoting K-12 Student Achievement at Military-Connected Schools  
CFDA#12.556 (OCAS Project 777 & 779)**

*Condition:* Property purchased with Federal funds were not accurately tracked and maintained as property in accordance with federal regulations.

*Recommendation:* The auditor recommended that the District implement policy and procedures related to purchasing of equipment with Federal funds.

*Status:* Condition has been resolved

**U.S. Department of Defense**

**2017-003 Invitational Grants for Military-Connected Schools--DoDEA Grant  
CFDA#12.557 (OCAS Project 778)**

*Condition:* Property purchased with federal funds were not accurately tracked and maintained as property in accordance with federal regulations.

*Recommendation:* The auditor recommended that the District implement policy and procedures related to purchasing of equipment with Federal funds.

*Status:* Condition has been resolved

## **CORRECTIVE ACTION PLAN**

April 29, 2019

### **U.S. Department of Defense**

Lawton Independent School District No. 8 respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Mary E. Johnson & Associates, PLLC  
2007 N. Commerce #200  
Ardmore, OK 73401

Audit Period: Year Ended June 30, 2018

The findings from the year ended June 30, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule

### **FINDINGS-FINANCIAL STATEMENT AUDIT**

#### **2018-001 Financial Reporting**

**Recommendation:** The District evaluates its financial reporting system. The system needs to provide documentation to evaluate its adequacy and minimize the likelihood of material audit adjustments.

**Action Taken:** The current financial reporting system was set up by the previous CFO. The system was set up in a manner that was not conducive to an effective and efficient workflow and was totally dependent on the CFO. The information audited was information that was entered and performed during the former CFO's employment. Upon assuming the responsibilities of this position I identified certain concerns and implemented changes to the processes of the finance department to assure operational changes and additions designed to achieve compliance with state and federal laws. For example, an audit of the district's current FAS system was arranged and is in process. A representative of ALIO our FAS software company was on site March 26-28, 2019 to train finance staff and reevaluate the processes and procedures being used. Additionally, I'm in the process of adding components to our existing

financial accounting system that will maximize efficiency and effectiveness of the department while minimizing any internal control issues that existed but were not previously addressed

#### **2018-002 Negative Fund Balance**

**Recommendation:** The District evaluate monitoring procedures of funds to ensure they have adequate resource before issuing checks

**Action Taken:** After reviewing and testing the system that generated the information upon which the auditor relied, I have concluded that the audit finding is the result of a system error and not the result of an actual negative fund balance in the Gifts Fund 81 account. Specifically, my own review of the reports did not show a negative balance of Fund 81. Corrections and journal entries were made according to the error report that generates when uploading the OCAS data. Even after correcting the errors in the accounting system and uploading the data the errors still generated. The last time district staff uploaded the data it stated no errors found. There was a system glitch at one point that likely explains what was generated in the district's system and how it transmitted and exhibited on the SDE side. District representatives were in constant contact with SDE regarding the OCAS data corrections failure to reflect on SDE's site. Importantly, the last report the district uploaded did not reflect a negative balance; it showed a balance of \$6,500 on the district's print out.

The Finance Department is structured to ensure monitoring procedures of all accounts and this avoids even the possibility that an account could have a negative balance.

#### **FINDINGS-FEDERAL AWARD PROGRAMS AUDITS**

##### **2018-003 Preparation of Schedule of Expenditures of Federal Awards (SEFA)**

**Recommendation:** District needs to evaluates its financial reporting system to include adequate controls over the accumulation of federal awards expended for the preparation of the SEFA

**Action Taken:** The Financial Reporting System has been modified to ensure that reports needed to reconcile expenditures to that of all Federal grants can be prepared to remove any risk of material misstatements of federal expenditures. Also, personnel responsible for this area will be provided additional training to ensure that, in instances of personnel changes, required actions occur without interruption or neglect.

#### **U.S. DEPARTMENT OF DEFENSE**

##### **2018-004 Promoting K-12 Student Achievement at Military-Connected Schools CFDA 12.556**

**Recommendation:** District needs to implement proper controls for compliance with time and effort standards related to personnel costs paid with DoD federal funds.

**Action Taken:** The DoD grant department has been furnished with a sample spreadsheet to properly track and monitor time and effort of all employees being paid out of federal grants.

This is the same procedure and process that other district department successfully use to monitor time and effort for their programs. The necessary steps have been taken and procedures put in place to ensure that time and effort is tracked and monitored in accordance with CFDA#12.556 compliance rules and regulations.

**2018-005 Invitation Grants for Military-Connected Schools-DoDEA Grant CFDA 12.557**

**Recommendation:** District needs to implement proper controls for compliance with time and effort standards related to personnel costs paid with DoD federal funds.

**Action Taken:** The DoD grant department has been furnished with a sample spreadsheet to properly track and monitor time and effort of all employees being paid out of federal grants. This is the same procedure and process that other district department successfully use to monitor time and effort for their programs. The necessary steps have been taken and procedures put in place to ensure that time and effort is tracked and monitored in accordance with CFDA#12.557 compliance rules and regulations.

If the U.S. Department of Defense has questions regarding this plan, please call Elizabeth Brown-Hill, (580)357-6900.

Sincerely yours,



Elizabeth Brown-Hill  
Chief Financial Officer  
Lawton Independent School District No. 8  
Comanche County, Oklahoma