

The Notice of Sale and Instructions to Bidders do not alone constitute an offer to sell but is merely notice of sale of the Bonds described herein. The offer to sell such Bonds is being made by means of this Notice of Sale and Instructions to Bidders, the Official Bid Form and the Official Statement.

**NOTICE OF SALE
AND
INSTRUCTIONS TO BIDDERS**

**\$330,000
Elementary School District No. C-77
Osage County, Oklahoma
(McCord Public School)
General Obligation Bonds, Series 2019**

**BIDS RECEIVED UNTIL: 11:00 o'clock a.m. local time on
Thursday, December 13, 2018.**

**BIDS WILL BE AWARDED: 3:30 o'clock p.m. local time on
Thursday, December 13, 2018.**

FINANCIAL ADVISOR

BOK Financial Securities, Inc.
Chris Gander, Investment Banker
499 W. Sheridan Avenue, Suite 2500
Oklahoma City, Oklahoma 73102
E-m: cgander@bokf.com
Office: (405) 272-2075
Cell: (405) 831-0789
Fax: (405) 272-2340

Note: Interest on the Bonds is exempt from federal and State of Oklahoma income taxes.

**NOTICE OF SALE OF BONDS
AND
INSTRUCTIONS TO BIDDERS**

**\$330,000
Elementary School District No. C-77
Osage County, Oklahoma
(McCord Public School)
General Obligation Bonds, Series 2019**

Place and Time of Sale

The Board of Education of Elementary School District No. C-77 of Osage County, Oklahoma, shall receive bids at McCord School, 977 South McCord Road, Ponca City, Oklahoma 74604, until 11:00 o'clock a.m. local time on Thursday, December 13, 2018, for the sale of its \$330,000 General Obligation Bonds, Series 2019 (the "Bonds"), more completely described in the "Preliminary Official Statement". The Board of Education intends to convene in Special Session at 3:30 o'clock P.M. local time on said date in the McCord School Media Center, 977 South McCord Road, Ponca City, Oklahoma 74604, to consider and take action to award the Bonds.

Bids may be submitted either:

- (a) In a sealed envelope, plainly marked "Bid for Bonds", addressed to the School District Superintendent as described below;
- (b) Via e-mail and telephone to the Financial Advisor; or
- (c) Electronically via **PARITY** in accordance with this Notice of Sale, until 11:00 o'clock a.m. local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact the financial advisor to the School District or PARITY at 395 Hudson Street, 3rd Floor, New York, NY telephone (212) 806-8304. In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile transmission to the financial advisor at FAX (405) 272-2340. To bid via **PARITY**, bidders must have made arrangements for the Good Faith Deposit prior to the sale time.

Address of Sealed Bids

Sealed bids for the Bonds shall be submitted on the Official Bid Form, a copy of which is enclosed, addressed to:

Bid for Bonds of E.S.D. No. C-77 of Osage County, Oklahoma
Attention: Maurisa Pruet, Elementary Superintendent
McCord Public School
977 South McCord Road
Ponca City, Oklahoma 74604

Any bidder submitting their bid via PARITY only needs to complete and sign an Official Bid Form if it is determined they are the winning bid.

Any bidder wishing to have the Financial Advisor carry their bid to the sale should submit a signed Official Bid Form to the Financial Advisor prior to the sale. The actual bid may be e-mailed and called in to the Financial Advisor prior to the bid deadline.

Contact information for the Financial Advisor:

BOK Financial Securities, Inc.
Attn.: Chris Gander
499 W. Sheridan Avenue, Suite 2500
Oklahoma City, Oklahoma 73102
E-m: cgander@bokf.com
Office: (405) 272-2075
Cell: (405) 831-0789

Description of the Bonds

The Bonds, authorized at an election held for that purpose, are being issued in accordance with the provisions contained in Article X, Section 26 of the Oklahoma Constitution, and the statutes of the State supplementary thereto, and shall constitute direct and general obligations of Elementary School District No. C-77 of Osage County, Oklahoma, payable from ad valorem taxes levied against all taxable property located therein, excepting homestead and veteran exemptions, without limitation as to rate or amount.

The Bonds will be dated January 1, 2019, and shall bear interest from that date. Interest on the Bonds will be payable January 1 and July 1 of each year commencing July 1, 2020. Principal and interest on the Bonds will be payable by check or draft of the Paying Agent/Registrar.

Maturity Schedule	
<u>Maturity</u>	<u>Principal</u>
1-1-2021	\$110,000
1-1-2022	220,000

The Bonds are not subject to redemption prior to maturity.

Book-Entry-Only System

The Bonds will be issued by means of a book-entry-only system with no physical delivery of bond certificates made to the public. One bond certificate for each maturity will be issued to the Depository Trust Company (“DTC”) or its nominee, CEDE & Co., and immobilized in its custody. The book-entry-only system will evidence ownership of the Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfer of ownership effected on the records of DTC and its participants pursuant to rules and procedures of DTC and its participants. Bond certificates registered in the name of CEDE & Co. will be deposited with DTC. Interest, principal, and redemption premium (if any) will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal, interest, and redemption premium (if any) to participants of DTC will be the responsibility of DTC and transfer of principal, interest, and redemption premium (if any) to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The School District will not be responsible or liable for such transfers of payments or for maintaining, supervising, or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the School District. Under such circumstances, in the event that a successor

securities depository is not obtained, Bonds are required to be printed and delivered. The School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered. In either situation, the School District may attempt to locate another qualified securities depository. If the School District fails to locate another qualified securities depository or if the School District determines that it is in the best interest of the School District, the School District will deliver definitive Bonds to each beneficial owner, or its nominee, as provided in the resolution pursuant to which the Bonds are issued.

Types of Bids and Interest Rates

The Bonds shall be sold in one block, all or none, and no bid of less than par and accrued interest shall be considered. **The premium bid, if any, shall not exceed 3% of the par value of the Bonds (\$9,900).** Bidders shall specify the rates of interest the Bonds shall bear in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%) per annum. Bidders must specify a rate or rates of interest the Bonds shall bear but will be limited to a **three percent (3%) variation between high and low interest rates**. No interest rate in excess of 10.00% shall be considered. Bidders are not restricted as to the number of rates that may be named, provided that only one single rate shall be specified for all Bonds of the same maturity.

Basis for Award

For the purpose of awarding the Bonds, the interest cost of each bid shall be computed by determining, at the rate or rates specified therein, the total dollar value of all interest on the Bonds from January 1, 2019, to their respective maturities, and deducting therefrom the premium bid, if any. The Bonds shall be awarded to the bidder whose bid, on the basis of the above computation, produces the lowest net interest cost to the School District.

Official Bid Forms and Good Faith Deposits

The Board of Education shall receive sealed and electronic bids. Sealed bids for the Bonds must be submitted in duplicate and without deviation on the Official Bid Form furnished by the School District and shall be enclosed in a sealed envelope. Electronic bids may be submitted via **PARITY** as described elsewhere herein. If the winning bid is submitted electronically, the winning bidder will be required to fully execute an Official Bid Form prior to delivery of the Bonds.

A Good Faith Deposit (“Deposit”) in the form of a certified or cashier’s check, cash via wire transfer or a Financial Surety Bond in the amount of **\$6,600**, which is two percent (2%) of the par value of the Bonds, payable to the order of Elementary School District No. C-77 of Osage County, Oklahoma, is required for each bid to be considered. Bidders wishing to wait until after the bid deadline to submit their Good Faith Deposit are allowed to do so, as long as the Good Faith Deposit is received by the School District prior to the time of the award by the Board of Education. Wire instructions for the School District are available upon request to the Financial Advisor.

If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Oklahoma and meeting the minimum qualifications for such providers (i.e. “AAA” rated), and such bond must be submitted to the Issuer or its Financial Advisor prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser (“Purchaser”) is required to submit its Deposit to the Issuer or its Financial Advisor in the form of a cashier’s check (or wire transfer such amount as instructed by the Issuer or its Financial Advisor) not later than 3:30 o’clock P.M. Oklahoma time on the next business day following the award. If such Deposit is not

received by that time, the Financial Surety Bond may be drawn by the Issuer to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Purchaser. The Good Faith Deposit shall be applied to the purchase price of the Bonds or returned to the successful bidder upon payment, whichever is desired by said bidder. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the Issuer. No interest will be paid by the School District on the Good Faith Deposit.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for any Bonds in accordance with the terms of the Official Bid Form. All expenses in relation to printing CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of such numbers shall be paid by the School District.

Legal Opinion

Bids for the Bonds may be submitted subject to the opinion of the Attorney General of the State of Oklahoma, and the approving opinion of The Public Finance Law Group PLLC, Oklahoma City, Oklahoma, as Bond Counsel, each of which shall be furnished at no cost to the purchaser.

Non-Litigation Certificate

With delivery of the Bonds, the School District shall execute and furnish the successful purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of said Bonds, to affect the provisions made for their payment or security, or in any manner to question the validity of said Bonds.

Delivery

Delivery of the Bonds shall be made at the expense of the purchaser in New York, New York, through the Depository Trust Company (DTC) against payment in good funds of the agreed upon purchase prices. Delivery of the Bonds to the Purchaser is anticipated on or about January 23, 2019.

Municipal Bond Insurance

In the event the Bonds are qualified for municipal bond insurance, and the purchaser wants to purchase bond insurance, the cost thereof will be paid by the purchaser. Any fees paid to any rating agencies as a result of said insurance will also be paid by the purchaser.

Compliance with SEC Rules

The Official Statement. The School District has authorized and directed the preparation of the accompanying Preliminary Official Statement, and for the limited purpose of complying with SEC Rule 15c2-12, deems such Preliminary Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. The Purchaser(s) shall be responsible for providing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the sale. No more than seven (7) business days after the date of the sale, the School District will provide without cost to the purchaser a reasonable number of copies of the Final Official Statement; provided, however, that minor delays in furnishing such Final Official Statement will not be a basis for purchaser's failure to pay for and accept delivery of the Bonds. Additional copies of the Final Official Statement will be made

available at the purchaser's request and expense. If the sale of the Bonds is awarded to a syndicate, the School District will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. Any underwriter executing and delivering a bid form with respect to the Bonds agrees thereby that if its bid is accepted, it shall accept such designation and shall enter into a contractual relationship with all syndicate members for the purpose of assuring the receipt and distribution of the Final Official Statement to each such syndicate member. The School District assumes no responsibility or obligation for the distribution or delivery of the Final Official Statement to anyone other than the purchaser.

At the time of payment for and delivery of the Bonds, the Issuer will provide a certificate executed by the proper officers of the Issuer to the effect that to the best of their knowledge and belief the statements in the official statement as of its date and as of the date of its delivery are true and correct in all material respects and the official statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. The Bonds are not subject to the provision of Rule 15c2-12 promulgated by the Securities and Exchange Commission regarding secondary market disclosure, and consequently the School District undertakes no obligation to provide secondary market information pursuant to such continuing disclosure standards with respect to the Bonds. The School District is obligated under Oklahoma law to prepare annual financial statements and to have such financial statements audited. Copies of such financial statements, when prepared, may be obtained from the School District Treasurer, telephone (580) 765-8806, 977 South McCord Road, Ponca City, Oklahoma 74604.

Establishment of Issue Price

The winning bidder shall assist the School District in establishing the issue price of the Bonds and shall execute and deliver to the School District prior to closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public, if at least three bids are received by the School District or, if less than three bids are received, the sales price or prices at which the first 10 percent (10%) of each maturity of the Bonds is sold to the public, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the School District, the Financial Advisor, and Bond Counsel, if applicable.

The School District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds to the public (the “competitive sale requirements”):

- (a) the School District shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders shall have an equal opportunity to bid;
- (c) the School District anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

- (d) the School District anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest net interest cost, as set forth in this Notice of Sale of Bonds.

The School District shall take all reasonable steps that are appropriate so that the initial sale of the Bonds to the public will satisfy the competitive sale requirements.

In the event that the initial sale of the Bonds to the public does not satisfy the competitive sale requirements, bids will not be subject to cancellation and the School District will treat the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity.

If the 10% test has not been satisfied as to any maturity of the Bonds, the winning bidder agrees that, for each maturity of the Bonds that has not satisfied the 10% test (the “Undersold Maturities”), it will neither offer nor sell any of the Undersold Maturities of such maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Offering Period for such maturity, nor will it permit a related party to do so. With respect to the Undersold Maturities, the Offering Period is defined as the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the sale date, or (ii) the date on which the winning bidder has sold 10% of such Undersold Maturity (or Maturities, if applicable) to the public at a price that is no higher than the Initial Offering Price for such Undersold Maturity (or Maturities, if applicable).

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to neither offer nor sell any of the Undersold Maturities of such maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Offering Period for such maturity, nor will it permit a related party to do so, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to neither offer nor sell any of the Undersold Maturities of such maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Offering Period for such maturity, nor will it permit a related party to do so.

Sales of said Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (a) “public” means any person other than an underwriter or a related party;
- (b) “underwriter” means (i) any person that agrees pursuant to a written contract with the School District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public); and
- (c) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to more than 50% common ownership.

In the event the winning bidder will not reoffer the Bonds for sale to the public, the Issue Price Certificate may be modified in a manner approved by the School District.

All action to be taken by the School District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the School District by BOK Financial Securities, Inc., the School District's Financial Advisor, and any notice or report to be provided to the School District may be provided to BOK Financial Securities, Inc.

NOTE: In the event that the initial sale of the Bonds to the public does not satisfy the competitive sale requirements as defined above, and the winning bidder informs the Financial Advisor that there exist certain Undersold Maturities, the basis for determining the issue price of the Bonds may be different from the method described herein and may be determined on the sale date upon approval of the Financial Advisor.

Miscellaneous

Additional information may be obtained from the offices of BOK Financial Securities, Inc., 499 West Sheridan Avenue, Suite 2500, Oklahoma City, Oklahoma 73102 (Chris Gander, tel. (405) 272-2075).

Average Life of Bonds (years from Dated Date)	2.606
Interest Multiple Limitation	1/8th or 1/20th of 1%
Maximum Allowable Premium	\$9,900
Maximum Interest Rate Variation	3.00%
Maximum Interest Rate	10.00%
Amount of Good Faith Deposit	\$6,600
First Interest Payment Date	7/1/2020
Denomination	\$5,000 or any integral multiple thereof

Bonds will be sold in accordance with the provisions of Title 62, Sections 353 and 354, Oklahoma Statutes 2011, as amended, and Article X, Section 26, Oklahoma Constitution.

Unless all bids are rejected, award for the Bonds will be made to the bidder complying with the terms of the sale and offering to purchase the Bonds at the lowest net interest cost as defined in "Basis for Award" herein. The right is reserved to reject any and all bids and to waive all informalities and irregularities.

ISSUE PRICE CERTIFICATE

CERTIFICATE OF THE UNDERWRITER

\$330,000
Elementary School District No. C-77
Osage County, Oklahoma
(McCord Public School)
General Obligation Bonds, Series 2019

The undersigned, on behalf of _____ (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price-Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) The Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, to the best of our knowledge based on our records, the Underwriter has not offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means Elementary School District No. C-77 of Osage County, Oklahoma.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a Related Party (as such terms are defined below) to an Underwriter.

(g) A purchaser of any of the Bonds is a *Related Party* to any Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 13, 2018.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only, and as it relates to the actions of the other Underwriters, such representations are made to the best of the Underwriter's knowledge based on the Underwriter's records. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Arbitrage and Use of Proceeds Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by The Public Finance Law Group PLLC as Bond Counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2018

_____, as Underwriter

By: _____

Name: _____

Schedule A
Sale Prices

General Rule Maturities

Not Applicable

Maturities Listed Below

<u>Maturity</u> <u>DATE</u>	<u>Principal</u> <u>AMOUNT</u>	<u>Interest</u> <u>RATE</u>	<u>YIELD</u>	<u>CUSIP</u> <u>Base: 68769P</u>
1-1-2021	\$110,000	____%	____%	____
1-1-2022	\$220,000	____%	____%	____

Hold-the-Offering-Price Rule Maturities

Not Applicable

Maturities Listed Below

Schedule B

Pricing Wire or Equivalent Communication

_____ Not applicable, because there are no Hold-the-Offering-Price Maturities

_____ Attached

OFFICIAL BID FORM

Honorable President and Members of
the Board of Education
Elementary School District No. C-77
Osage County, Oklahoma

December 13, 2018

Ladies and Gentlemen:

For your issue of General Obligation Bonds, Series 2019, in the amount of \$330,000 (the "Bonds") with principal and semi-annual interest payable by the Paying Agent/Registrar, we will pay you, in federal funds, par and accrued interest, plus a total premium of \$ _____, for the Bonds bearing interest and maturing as follows:

\$110,000 due 1-1-2021 @ _____%

\$220,000 due 1-1-2022 @ _____%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

Gross Interest Cost \$ _____ Net Interest Cost \$ _____ Average Rate of Interest _____%

Payment in federal funds for the Bonds in accordance with the above terms will be made within five (5) days after their tender to us, free and clear of any bank charges or delivery expenses, under the following stipulations: (i) that said Bonds are to be in the hands of the Attorney General for examination within thirty (30) days from this date without litigation pending; (ii) that within twenty (20) days after the approval of said Bonds by the Attorney General, we are to be furnished with a complete transcript of proceedings covering said Bonds; (iii) that said Bonds shall be tendered to us for payment within thirty-five (35) days after their approval by the Attorney General, which shall not exceed seventy (70) days from this date; and, (iv) that after the thirty (30) day statutory contest period, we are to be furnished with such additional certificates as may be necessary to establish legality, legal delivery, and freedom from litigation, all to the satisfaction of The Public Finance Law Group PLLC, Oklahoma City, Oklahoma, as Bond Counsel, whose fee will be paid by the School District; otherwise, delivery of said Bonds shall be made to us, but only at our option.

As evidence of our good faith, we enclose herewith a certified or cashier's check, cash via wire transfer, or financial surety bond in the sum of **\$6,600.00** to be held by you and to be forfeited to you as liquidated damages in the event we fail or refuse to comply with this agreement in accordance with your Official Notice of Sale.

We agree to complete, execute, and deliver to the School District or Financial Advisor, at least five (5) business days prior to delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale, with such changes thereto as may be acceptable to the School District or Financial Advisor. This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale and is not subject to any conditions, except as permitted under the terms of the Notice of Sale.

If, prior to delivery of said Bonds, the interest received from bonds of the same type and character shall be subject to Federal income taxation by ruling, decisions, or law, we may, at our election, be relieved of our obligation under this contract and in such case the deposit will be returned.

Respectfully submitted,

_____ (Signature)

_____ (Title)

_____ (Representing)

Accepted this 13th day of December, 2018.

WITNESS OUR OFFICIAL HAND AND SEAL:

ATTEST: _____
Clerk, Board of Education

President, Board of Education

(SEAL)

Receipt is acknowledged of the good faith check mentioned above.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 5, 2018

NEW ISSUE – BOOK-ENTRY-ONLY

Rating: Oklahoma #2

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2019 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2019 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. Furthermore, in the opinion of Bond Counsel, under existing law, interest on the 2019 Bonds is exempt from State of Oklahoma income taxation under present law. The 2019 Bonds will be designated by the School District as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. See “TAX MATTERS” herein.

\$330,000

**ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA
(MCCORD PUBLIC SCHOOL)
GENERAL OBLIGATION BONDS, SERIES 2019**

Dated: January 1, 2019

Due: January 1, as shown on inside cover

The 2019 Bonds are being issued by Elementary School District No. C-77 of Osage County, Oklahoma (the “School District”). The 2019 Bonds are dated as of January 1, 2019. Interest on the 2019 Bonds will accrue from the dated date and is payable January 1 and July 1 of each year commencing July 1, 2020 (the “Interest Payment Dates”), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 2019 Bonds will be initially issued, in fully registered form, in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchases of the 2019 Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the 2019 Bonds may be made in the denomination of \$5,000 or any integral multiple thereof. **Beneficial owners of the 2019 Bonds will not receive physical delivery of Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2019 Bonds.** So long as DTC or its nominee is the registered owner of the 2019 Bonds, payment of the principal and interest on the 2019 Bonds will be payable by UMB Bank, n.a., Oklahoma City, Oklahoma, as initial Paying Agent/Registrar (the “Paying Agent/Registrar”), to DTC or its nominee and disbursement of such payments to DTC Participants will be the responsibility of DTC and disbursement of such payments to beneficial owners of the 2019 Bonds will be the responsibility of DTC Participants and Indirect Participants. No physical delivery of the 2019 Bonds will be made to the owners thereof (see “The Bonds – Book-Entry-Only System” herein).

The School District has designated the 2019 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, as described herein.

The proceeds from the 2019 Bonds will be used to construct, equip, repair and remodel school buildings to provide additional classroom facilities and other facility improvements, including reconstruction of access points for increased safety and security, and to acquire school furniture, fixtures, and equipment, as well as to pay costs of issuance relating to the 2019 Bonds, as described herein.

The 2019 Bonds are direct and general obligations of the School District and are payable as to principal and interest from ad valorem taxes which are required to be levied on all taxable property within the School District, without limitation as to rate or amount.

This cover page contains only a brief description of the 2019 Bonds and the security therefor. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2019 Bonds are offered when, as and if issued by the School District, and subject to the approving opinion of Bond Counsel as to validity and tax exemption. It is expected that the 2019 Bonds will be available for delivery on or about January 23, 2019.

Financial Advisor



\$330,000
ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA
(MCCORD PUBLIC SCHOOL)
GENERAL OBLIGATION BONDS, SERIES 2019

Dated: January 1, 2019

Due: January 1, as shown below

MATURITY SCHEDULE

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base 68769P</u>
1-1-2021	\$110,000	%	%	
1-1-2022	220,000	%	%	

CUSIP is a registered trademark of the American Bankers Association. A CUSIP number has been assigned to this issue by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ, and is included solely for the convenience of the Owners of the 2019 Bonds. Neither the School District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP number set forth on the cover page hereof.

FINANCING PARTICIPANTS

MCCORD PUBLIC SCHOOL
ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA

BOARD OF EDUCATION

Joy Neal, *President*

Paul Kyler, *Vice President*

Jeff Clark, *Clerk*

SCHOOL ADMINISTRATION

Maurisa Pruett, *Superintendent/Principal*

Brenda Storie, *School District Treasurer*

Julia Thomas, *Deputy Clerk*

BOND COUNSEL

The Public Finance Law Group, PLLC
Oklahoma City, Oklahoma

FINANCIAL ADVISOR

BOK Financial Securities, Inc.
Oklahoma City, Oklahoma

PAYING AGENT/REGISTRAR

UMB Bank, n.a.
Oklahoma City, Oklahoma

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy within any jurisdiction to any person to whom it is unlawful to make such offer or solicitation within such jurisdiction. In connection with the offering of the 2019 Bonds, no dealer, salesman or any other person has been authorized to give any information or to make any representation other than contained herein. If given or made, such information or representation must not be relied upon.

The information contained in this Official Statement, including the cover page and exhibits hereto, has been obtained from public officials, official records and from other sources which are deemed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Financial Advisor. The delivery of this Official Statement does not at any time imply that information contained herein is correct as of any time subsequent to its date.

Any statements contained in this Official Statement involving matters of opinion, estimations or projections, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement shall not be construed as a contract or agreement between Elementary School District No. C-77, Osage County, Oklahoma (McCord Public School) and the purchasers or holders of any of the 2019 Bonds.

For purposes of compliance with Rule 15c2-12(b)(1) of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an "Official Statement" of Elementary School District No. C-77, Osage County, Oklahoma (McCord Public School) with respect to the 2019 Bonds that has been deemed final as of the date hereof except for the omission of no more than the information permitted by Rule 15c2-12 and it is subject to revision, amendment and completion as a Final Official Statement.

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\$330,000
ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA
(MCCORD PUBLIC SCHOOL)
GENERAL OBLIGATION BONDS, SERIES 2019

INTRODUCTION

This Official Statement, including the Exhibits attached hereto (if any), has been prepared on behalf of Elementary School District No. C-77 of Osage County, Oklahoma (the “School District”), in connection with the original issuance and sale by the School District of its General Obligation Bonds, Series 2019 (the “2019 Bonds”).

All financial and other information presented in this Official Statement has been provided by the School District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the School District. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Oklahoma law, whether codified in the Oklahoma Constitution or the Oklahoma Statutes are references to current provisions. These provisions are subject to amendment, repeal or supplement.

THE BONDS

Authorization and Purpose

The 2019 Bonds are being issued and offered pursuant to the authority set forth in Article 10, Section 26 of the Oklahoma Constitution, as amended, Oklahoma Statutes 2011, Title 62 §§ 353 and 354, Title 70 § 15-101ff and/or 106, and a Bond Resolution of the Board of Education of the School District to be adopted on the 13th day of December, 2018.

On August 28, 2018, voters of the School District approved the issuance of general obligation bonds in the amount of \$2,970,000 to provide funds for the purpose of constructing, equipping, repairing and remodeling school buildings to provide additional classroom facilities and other facility improvements, including reconstruction of access points for increased safety and security, and acquiring school furniture, fixtures, and equipment (the “Building and Equipment Projects”), and paying costs of issuance relating to such bonds, or in the alternative to acquire any of such property pursuant to a lease purchase arrangement.

The 2019 Bonds are the first series of the general obligation bonds to be issued pursuant to the election of August 28, 2018. Proceeds from the 2019 Bonds will be used to finance a portion of the Building and Equipment Projects as described above, and to pay costs of issuance relating to the 2019 Bonds.

General Description

The 2019 Bonds are dated January 1, 2019, are fully registered bonds, and are in denominations of \$5,000 or any integral multiple thereof. Interest on the 2019 Bonds will accrue from the dated date and is payable January 1 and July 1 of each year commencing July 1, 2020 (the “Interest Payment Dates”), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. It is anticipated that the 2019 Bonds will be available for delivery on or about January 23, 2019.

The principal of the 2019 Bonds is payable, when due, at the principal corporate trust office of UMB Bank, n.a. (the “Paying Agent/Registrar”), in Oklahoma City, Oklahoma. Interest on the 2019 Bonds will be paid on the Interest Payment Dates by check mailed to the registered owner thereof at the address shown on the registration books maintained by the Paying Agent/Registrar at the close of business on the 15th day of the calendar month preceding each Interest Payment Date, or if such day is a Saturday, Sunday or holiday, on the next preceding business day (the “Record Date”).

Redemption Prior to Maturity

The 2019 Bonds are not callable prior to their stated maturity.

Qualified Tax-Exempt Obligations

The School District has designated the 2019 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The School District has certified that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by the School District and its subordinate entities in calendar year 2019 will not exceed \$10,000,000.

Registration and Transfer

Bonds presented to the Paying Agent/Registrar for transfer after the close of business on a Record Date and before the close of business on the next subsequent Interest Payment Date will be registered in the name of the transferee but the interest payment will be made to the registered owners shown on the books of the Paying Agent/Registrar as of the close of business on the Record Date.

The 2019 Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the 2019 Bonds. Principal and interest on the 2019 Bonds will be paid by the Paying Agent/Registrar to DTC. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described in the section titled “Book-Entry-Only System”.

Book-Entry-Only System

The 2019 Bonds will initially be available in book-entry-only form, in the principal amount of \$5,000 and integral multiples thereof. Beneficial owners of the 2019 Bonds (“Beneficial Owners”) will not receive certificates representing their interests in the 2019 Bonds purchased.

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC, and the School District and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Bond certificate will be issued for each maturity of the 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC at the office of the Paying Agent/Registrar on behalf of DTC utilizing the DTC FAST system of registration.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC (or the Paying Agent/Registrar on behalf of DTC utilizing the DTC FAST system of registration) are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2019 Bonds with DTC (or the Paying Agent/Registrar on behalf of DTC utilizing the DTC FAST system of registration) and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2019 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Paying Agent/Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments on the 2019 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2019 Bonds at any time by giving reasonable notice to the School District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The School District, Bond Counsel, the Paying Agent/Registrar, and the Underwriter cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the 2019 Bonds: (i) payments of principal of or interest on the 2019 Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the 2019 Bonds; or (iii) redemption or other notices sent to DTC or its nominee, as the Registered Owners of the 2019 Bonds; or that they will do so on a timely basis or that DTC or its participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

None of the School District, Bond Counsel, the Paying Agent/Registrar, or the Underwriter will have any responsibility or obligation to such DTC Participants (Direct or Indirect) or the persons for whom they act as nominees with respect to: (i) the 2019 Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the 2019 Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Registered Owners; (v) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2019 Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner.

In reading this Official Statement, it should be understood that while the 2019 Bonds are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be

read to include the Beneficial Owners of the 2019 Bonds, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the School District or the Paying Agent/Registrar will be given only to DTC.

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

Security and Source of Payment

The 2019 Bonds, in the opinion of Bond Counsel, are direct and general obligations of the School District and are payable as to both principal and interest from ad valorem taxes to be levied against all taxable property within the School District, without limitation as to rate or amount.

Ad valorem taxes for the 2019 Bonds shall be levied annually beginning in Fiscal Year 2019-20 and are required to be collected by the County Treasurer and then apportioned and paid over to the School District Treasurer, and cannot, by Oklahoma Law, be placed in any fund of the School District other than the Sinking Fund. They may be used only for the payment of principal of and interest on indebtedness (including judicial judgments) of the School District. **IN NO EVENT MAY SUCH AD VALOREM TAXES BE DEPOSITED INTO THE GENERAL FUND OR ANY FUND OF THE SCHOOL DISTRICT OTHER THAN THE SINKING FUND.**

One hundred percent (100%) of the School District's Sinking (Debt Service) Fund revenues come from locally collected ad valorem taxes. None of these ad valorem taxes are collected or disbursed by the State of Oklahoma.

Ad Valorem Taxes

Taxable property in the State of Oklahoma (the "State") is placed in one of three classifications: real property, personal property, and public service property. Assessment ratios for real and personal property are determined locally by each County Assessor within guidelines established by the State Board of Equalization and the Oklahoma Tax Commission. The assessment ratio for public service property is determined on a statewide basis by the Oklahoma Tax Commission.

As stated above, the 2019 Bonds are payable from ad valorem taxes on all taxable property within the School District including real, personal and public service property, as well as any other moneys available for such purpose. Real property in the School District is currently assessed at a rate of 12% of estimated full market value. Personal property in the School District is also currently assessed at a rate of 12% of estimated full market value. Public service property in the School District is currently assessed at a rate of (i) 11.84% of full market value for airlines and railroads, (ii) 12% of full market value for cable television companies, and (iii) 22.85% of full market value for other types of public service property.

Pursuant to Oklahoma statutes, County Assessors are required to reassess property within the County at least once every five years. The School District is required to pay its proportionate share of the cost of such reassessment.

Oklahoma statutes require that the School District each year make an ad valorem tax levy for a Sinking Fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following year. After review and approval by the School District's Board of Education, copies of the Sinking Fund Estimates are submitted to the County Excise Board to determine the ad valorem tax levy and appropriations. This

submission is required to be filed with the County Clerk not later than September 30th of each year for all school districts. The estimates are for the purposes of determining ad valorem taxes required to fund the General, Building, and Sinking Funds. The amounts contained in the Estimate of Needs are verified by the County Excise Board and, upon verification, the levies contained therein are ordered to be certified to the County Assessor in order that the County Assessor may extend said levies upon the tax rolls for the year for which the Estimate of Needs is being submitted. While the County Excise Board may make recommendations with respect to the levy request, it only has the authority to change the reserve for delinquent taxes.

The County Assessor is required to file a tax roll report on or before October 1 of each year with the County Treasurer indicating the net assessed valuation for each municipality within the County. This report includes the assessed valuation for all real, personal and public service property. The County Treasurer has fifteen days after receipt of the tax roll report to start collecting taxes. The first half of taxes is due and payable on November 1 of each year. The second half is due and payable on or before April 1 of each year. However, if the first half is not paid by January 1, both first and second half are declared delinquent as of January 1. If the first half taxes are paid in a timely manner and the second half taxes are not paid on or before April 1, the taxes are considered delinquent. Interest accrues on delinquent taxes at the rate of 1.5% monthly (18% annually), to a maximum of 100% of the taxes due and owing, until the delinquent taxes are paid.

Under Title 68, Oklahoma Statutes 2011, §§ 3101 *et seq.*, taxes upon real property are a lien for seven (7) years from the date upon which such tax became due and payable. Further, if the taxes remain unpaid for a period of three (3) years or more as of the date such taxes first became due and payable, such property will be sold at public auction unless the delinquent taxes, interest and penalty are paid in full prior to the time of the tax sale.

Each taxing jurisdiction holds a tax lien on each item of taxable property. This tax lien gives the County the power to foreclose on the lien and attach the property, even if its ownership has changed. The property will then be auctioned, and the proceeds used to pay the taxes.

**ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA**

The School District is located in Osage County in north central Oklahoma, approximately 100 miles north of the City of Oklahoma City, Oklahoma. The School District, encompassing approximately 14 square miles, serves a portion of the City of Ponca City, and the surrounding rural area in Osage County. According to the most recent figures published by the U.S. Census Bureau, the estimated 2016 population of the School District was 1,933 and the estimated 2017 population of the City of Ponca City was 24,220.

McCord School began in 1899 as a subscription school; subscription fees were \$1 per month per child. In the early years, school was held in a tent and attendance varied from 16 to 20 students. Presently, the School District has an average daily attendance of 326. The School District is fully accredited by the Oklahoma State Department of Education.

Residents of the School District are employed at businesses in Ponca City and surrounding communities, while those not so employed are primarily engaged in farming and ranching. No separate employment figures are available for the School District. Figures published by the U.S. Bureau of Labor Statistics for August 2018 show the unemployment rate for the Ponca City MSA (Micropolitan Statistical

Area) at 4.7%, compared to 4.1% for Osage County, 3.5% for the State of Oklahoma as a whole, and 3.9% for the United States.⁽¹⁾

FINANCIAL MATTERS

Compliance with Constitutional Debt Limitation

The current, abbreviated debt statement of the School District revised from that filed with the State of Oklahoma as of June 30, 2018 is shown below:

2018-19 Estimated Full Market Value of the School District	\$93,674,097
2018-19 Gross Assessed Valuation of the School District	\$11,548,724
Less Homestead and Veterans Exemptions	<u>(482,123)</u>
2018-19 Net Assessed Valuation of the School District	\$11,066,601

The County indicated below has held an election under Oklahoma Constitution Article X, §6(B) approving an exemption of certain household and personal property from ad valorem taxation. Accordingly, said County has calculated the “millage adjustment factor” to be applied to debt percentage limits, resulting in an adjusted debt limit. The adjusted debt limit is as follows:

2018-19 School District Net Assessed Valuation	School District Unadjusted Legal Debt Limit ⁽¹⁾	Osage County Millage Adjustment Factor	School District Legal Debt Limit ⁽²⁾
\$11,066,601	\$1,106,660	106.089%	\$1,174,045

(1) Net Assessed Valuation times 10%.

(2) District Unadjusted Legal Debt Limit times Millage Adjustment Factor.

General Obligation Bonds Outstanding (includes the 2019 Bonds)	\$ 570,000	
Less Estimated Sinking Fund Balance	<u>(7,831)</u>	
Net General Obligation Bonds Outstanding		\$562,169
School District Legal Debt Limit	\$1,174,045	
Less Net General Obligation Bonds Outstanding	<u>(562,169)</u>	
School District Remaining Bonding Capacity		\$611,876
Ratio of Net General Obligation Bonds Outstanding to Legal Debt Limit		47.88%

(1) Unemployment rates shown are not seasonally adjusted. Unemployment rates shown for Ponca City MSA and Osage County figures are preliminary.

Composition and Growth of the Net Assessed Valuation

The composition of the Net Assessed Valuation of the School District for the Fiscal Year 2018-19 is as follows:

Classification	Amount	Percentage
Real	\$ 9,842,290	88.94%
Personal	576,019	5.20%
Public Service	648,292	5.86%
TOTAL	\$11,066,601	100.00%

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

Fiscal Year	Amount	Fiscal Year	Amount
2018-19	\$11,066,601	2013-14	\$9,331,363
2017-18	10,792,064	2012-13	\$9,265,022
2016-17	10,419,090	2011-12	9,042,215
2015-16	10,073,378	2010-11	9,118,176
2014-15	10,006,975	2009-10	8,953,414

During this period, the Net Assessed Valuation of the School District increased \$2,113,187 or 23.60%.

General Obligation Bonded Debt Outstanding

Issuance Date	Original Principal Amount	Remaining Maturities	Maturity Date	Total Outstanding
06-01-2015	\$475,000	\$120,000 \$120,000	06-01-2019 06-01-2020	\$240,000
01-01-2019	\$330,000	\$330,000	01-01-2022	\$330,000

Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

Fiscal Year	Combined Purpose Bonds of 2015		General Obligation Bonds, Series 2019		Total New Debt Service Requirement
	Principal	Interest	Principal	Interest*	
2018-19	\$120,000	\$5,800	--	--	\$125,800
2019-20	120,000	3,300	--	--	123,300
2020-21	--	--	\$110,000	\$18,700	128,700
2021-22	--	--	220,000	6,325	226,325
TOTAL	\$240,000	\$9,100	\$330,000	\$25,025	\$604,125

* The interest amount shown for the 2019 Bonds is provided for illustration purposes only.

Net Direct and Overlapping General Obligation Bonded Indebtedness

Municipality	Net Indebtedness	Amount Applicable to the School District	Ratio to Net Assessed Valuation of the School District ⁽²⁾	Per Capita Debt ⁽³⁾
McCord School District	\$562,169 ⁽¹⁾	\$562,169	5.08%	\$290.83
Osage County	0	0	0.00%	0.00
TOTAL	\$562,169	\$562,169	5.08%	\$290.83

(1) Includes the School District's 2019 Bonds.

(2) The 2018-19 Net Assessed Valuation of the School District is \$11,066,601.

(3) The estimated 2016 population of the School District was 1,933 according to the U.S. Census Bureau. The estimated 2017 population of the School District has not yet been published by the Census Bureau.

Sinking Fund Tax Collections

Fiscal Year	Total Tax Levy*	Current Tax Collections*	Percentage of Levy Collected	Total Tax Collections*	Percentage of Total Collected to Total Levy
2016-17	\$127,337	\$120,608	94.72%	\$124,448	97.73%
2015-16	119,984	111,880	93.25%	116,040	96.71%
2014-15	107,533	99,187	92.24%	104,587	97.26%
2013-14	111,609	105,745	94.75%	112,258	100.58%
2012-13	107,221	100,861	94.07%	106,055	98.91%
2011-12	113,991	107,800	94.57%	115,669	101.47%
2010-11	117,514	109,264	92.98%	115,348	98.16%
2009-10	102,235	95,911	93.81%	102,641	100.40%
2008-09	118,449	111,882	94.46%	118,330	99.90%
2007-08	129,922	128,646	99.02%	128,646	99.02%

* Source: *Analysis of Sinking Fund Budgets* reports published annually by the Municipal Rating Committee of Oklahoma, Inc.

Trend of Tax Rates of Major Taxing Units*

Fiscal Year	McCord School District	Osage County	Pioneer Vo-Tech	Total Levy
2018-19	53.67	14.70	15.81	84.18
2017-18	54.46	14.70	15.81	89.97
2016-17	54.62	14.70	15.81	90.41
2015-16	54.34	14.70	15.81	90.62
2014-15	53.18	14.70	15.81	88.99
2013-14	54.39	14.70	15.81	89.79
2012-13	54.58	14.70	15.81	90.44
2011-12	55.04	14.70	15.81	90.26
2010-11	52.89	14.00	15.00	85.14
2009-10	51.42	14.00	15.00	83.31

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

Largest Taxpayers*

Name of Taxpayer	Type of Business	Net Assessed Valuation
Phillips 66 Carrier LLC	Pipeline	\$ 208,555
Wyatt Cary Jean	Real Estate	128,576
Oklahoma Natural Gas Co.	Natural Gas Utility	122,402
Cole DG Ponca City OK LLC	Real Estate	116,400
AT&T Mobility LLC	Telecommunications	101,578
Hurst Properties LLC	Real Estate	89,999
Osage Nation	Real Estate	81,554
Magellan Pipeline Co.	Pipeline	78,839
Sattre Investments LLC	Real Estate	78,229
Priya D LLC	Real Estate	70,956
Total Net Assessed Valuation of Top Ten Taxpayers		\$1,077,088
Percentage of School District's Net Assessed Valuation		9.73%

* For 2018-19. Source: Osage County Assessor's Office.

LITIGATION

To the knowledge of the School District, there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the 2019 Bonds or questioning or affecting the legality of the 2019 Bonds or proceedings and authority under which the 2019 Bonds are to be issued. There is no litigation pending which in any manner questions the right of the School District to construct or finance the proposed improvements.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the 2019 Bonds are subject to the approving opinion of The Public Finance Law Group PLLC, Bond Counsel, of Oklahoma City, Oklahoma, and the Attorney General of the State of Oklahoma. The approving opinion of Bond Counsel is expected to be substantially in the form appearing in Exhibit B hereto.

CONTINUING DISCLOSURE

The 2019 Bonds are not subject to the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission regarding secondary market disclosure, and consequently the School District undertakes no obligation to provide secondary market information pursuant to such continuing disclosure standards with respect to the 2019 Bonds. The School District is obligated under Oklahoma law to prepare annual financial statements and to have such financial statements audited. Copies of such financial statements, when prepared, may be obtained from the School District Treasurer, 977 South McCord Road, Ponca City, Oklahoma 74604.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of The Public Finance Law Group PLLC, Bond Counsel to the School District ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with

certain tax covenants described herein, (i) interest on the 2019 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2019 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the School District in connection with the 2019 Bonds, and Bond Counsel has assumed compliance by the School District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2019 Bonds from gross income under Section 103 of the Code.

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, (other than certain “qualified” obligations). **The 2019 Bonds will be designated as “qualified” obligations for this purpose.**

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the 2019 Bonds shall be exempt from Oklahoma income taxation pursuant to Section 2358.5 of Title 68, Oklahoma Statutes, 2011.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2019 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2019 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2019 Bonds in order that interest on the 2019 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2019 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2019 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The School District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2019 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2019 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2019 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2019 Bonds.

Prospective owners of the 2019 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life

insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2019 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2019 Bonds. In general, the issue price for each maturity of the 2019 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2019 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2019 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined

on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2019 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2019 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2019 Bonds under federal or state law or otherwise prevent beneficial owners of the 2019 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2019 Bonds.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING, OR DISPOSITION OF THE 2019 BONDS.

RATINGS

The School District is currently rated "Oklahoma #2" by The Municipal Rating Committee of Oklahoma, Inc. Neither the School District nor the Financial Advisor has obtained, nor do they plan to obtain, a rating of the 2019 Bonds from any other rating agency.

FINANCIAL STATEMENTS

The School District has included in Exhibit A hereto its Financial Statements for the fiscal year ended June 30, 2017, together with Auditors' Reports, which were examined by Wilson, Dotson & Associates, P.L.L.C., Shawnee, Oklahoma. Exhibit A should be read in its entirety.

UNDERWRITING

The 2019 Bonds are being purchased at competitive sale by _____ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the 2019 Bonds at a price equal to \$_____ plus accrued interest from January 1, 2019.

The Underwriter may offer and sell the 2019 Bonds to certain dealers (including dealers depositing the 2019 Bonds into unit investment trusts) and others at prices lower than the offering price set forth on the cover page hereof.

MISCELLANEOUS

All quotations from and summaries and explanations of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the School District. This Official Statement is not to be construed as a contract or agreement between the School District and the purchasers or holders of any of the 2019 Bonds. The School District has provided the factual and financial information herein. However, the School District has not made any warranty or representation regarding either the accuracy or sufficiency of any material contained herein. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representation of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District, or its agencies and authorities, since the date hereof.

[Remainder of this page intentionally left blank.]

CERTIFICATION AS TO OFFICIAL STATEMENT

At the closing, the School District will execute and deliver a certificate to the effect that this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

Reference is made to the Exhibits hereto which are an integral part of this Official Statement and must be read together with the rest of the Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the School District.

Elementary School District No. C-77,
Osage County, Oklahoma

President, Board of Education

ATTEST:

Clerk, Board of Education

EXHIBIT A

**FINANCIAL STATEMENTS WITH AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**ELEMENTARY SCHOOL DISTRICT NO. C-77
OSAGE COUNTY, OKLAHOMA
(MCCORD PUBLIC SCHOOL)**

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITORS'**

**MCCORD SCHOOL DISTRICT NO. C-77,
Osage County, Oklahoma**

JUNE 30, 2017

Audited by

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK**

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017**

BOARD OF EDUCATION

President	Joy Neal
Vice-President	Jeff Clark
Clerk	Paul Kyler

MINUTES CLERK

Brenda Storie

SCHOOL DISTRICT TREASURER

Brenda Storie

SUPERINTENDENT OF SCHOOLS

Beverly Moore

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

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JUNE 30, 2017**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Education
McCord School District Number C-77
Osage County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the McCord School District No. C-77, Osage County, Oklahoma ("District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory 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 the Oklahoma State Department of Education; 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.

Auditors' 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.

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

As discussed in Note 1, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not 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 in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2017, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2017, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

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

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

expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Wilson, Dotson & Associates".

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 15, 2018

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES - REGULATORY BASIS
ALL FUND TYPES AND GENERAL LONG-TERM DEBT
JUNE 30, 2017

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>AGENCY FUNDS</u>		
<u>ASSETS</u>							
Cash and investments	\$ 865,690	101,128	40,711	4,063	42,013	-	1,053,605
Amounts available in debt service	-	-	-	-	-	4,063	4,063
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	355,937	355,937
Total Assets	<u>\$ 865,690</u>	<u>101,128</u>	<u>40,711</u>	<u>4,063</u>	<u>42,013</u>	<u>360,000</u>	<u>1,413,605</u>
<u>LIABILITIES AND CASH FUND BALANCES</u>							
Liabilities							
Warrants payable	\$ 204,224	35,346	12,791	-	5,805	-	258,166
Encumbrances payable	25,452	-	-	-	-	-	25,452
Funds held for school organizations	-	-	-	-	18,291	-	18,291
Long-term debt:							
Bonds payable	-	-	-	-	-	360,000	360,000
Total liabilities	<u>229,676</u>	<u>35,346</u>	<u>12,791</u>	<u>-</u>	<u>24,096</u>	<u>360,000</u>	<u>661,909</u>
Cash Fund Balances							
Restricted	-	65,782	27,920	4,063	17,917	-	115,682
Unassigned	636,014	-	-	-	-	-	636,014
Total cash fund balances	<u>636,014</u>	<u>65,782</u>	<u>27,920</u>	<u>4,063</u>	<u>17,917</u>	<u>-</u>	<u>751,696</u>
Total Liabilities and Cash Fund Balances	<u>\$ 865,690</u>	<u>101,128</u>	<u>40,711</u>	<u>4,063</u>	<u>42,013</u>	<u>360,000</u>	<u>1,413,605</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
Revenues collected:					
Local sources	\$ 429,749	84,218	-	124,448	638,415
Intermediate sources	60,772	-	-	-	60,772
State sources	1,377,497	12,688	-	1	1,390,186
Federal sources	131,652	124,083	-	-	255,735
Non-revenue receipts	16,126	264	-	-	16,390
Total revenues collected	<u>2,015,796</u>	<u>221,253</u>	<u>-</u>	<u>124,449</u>	<u>2,361,498</u>
Expenditures:					
Instruction	1,131,492	-	-	-	1,131,492
Support services	681,926	29,233	29,887	-	741,046
Operation of non-instruction services	10,059	179,847	-	-	189,906
Facilities acquisition & construction services	45,471	-	-	-	45,471
Other outlays	545	264	-	233,477	234,286
Total expenditures	<u>1,869,493</u>	<u>209,344</u>	<u>29,887</u>	<u>233,477</u>	<u>2,342,201</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	146,303	11,909	(29,887)	(109,028)	19,297
Adjustments to prior year encumbrances	<u>21,578</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>21,628</u>
Excess of revenues collected over (under) expenditures	167,881	11,959	(29,887)	(109,028)	40,925
Cash fund balances, beginning of year	<u>468,133</u>	<u>53,823</u>	<u>57,807</u>	<u>113,091</u>	<u>692,854</u>
Cash fund balances, end of year	<u>\$ 636,014</u>	<u>65,782</u>	<u>27,920</u>	<u>4,063</u>	<u>733,779</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 351,692	351,692	429,749	78,057
Intermediate sources	52,213	52,213	60,772	8,559
State sources	1,095,942	1,095,942	1,377,497	281,555
Federal sources	106,159	106,159	131,652	25,493
Non-revenue receipts	-	-	16,126	16,126
Total revenues collected	<u>1,606,006</u>	<u>1,606,006</u>	<u>2,015,796</u>	<u>409,790</u>
Expenditures:				
Instruction	1,328,069	1,328,069	1,131,492	196,577
Support services	689,995	689,995	681,926	8,069
Operation of non-instruction services	10,059	10,059	10,059	-
Facilities acquisition & construction services	45,471	45,471	45,471	-
Other outlays	545	545	545	-
Total expenditures	<u>2,074,139</u>	<u>2,074,139</u>	<u>1,869,493</u>	<u>204,646</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(468,133)	(468,133)	146,303	614,436
Adjustments to prior year encumbrances	-	-	21,578	21,578
Excess of revenues collected over (under) expenditures	(468,133)	(468,133)	167,881	636,014
Cash fund balances, beginning of year	468,133	468,133	468,133	-
Cash fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>636,014</u>	<u>636,014</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 83,007	140,865	84,218	(56,647)
State sources	1,107	1,107	12,688	11,581
Federal sources	85,754	147,083	124,083	(23,000)
Non-revenue receipts	631	631	264	(367)
Total revenues collected	170,499	289,686	221,253	(68,433)
Expenditures:				
Support services	60,470	118,328	29,233	89,095
Operation of non-instruction services	163,588	224,917	179,847	45,070
Other outlays	264	264	264	-
Total expenditures	224,322	343,509	209,344	134,165
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(53,823)	(53,823)	11,909	65,732
Adjustments to prior year encumbrances	-	-	50	50
Excess of revenue collected over (under) expenditures	(53,823)	(53,823)	11,959	65,782
Cash fund balances, beginning of year	53,823	53,823	53,823	-
Cash fund balances, end of year	\$ -	-	65,782	65,782

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED JUNE 30, 2017

	SINKING FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 121,274	121,274	124,448	3,174
State sources	-	-	1	1
	<u>121,274</u>	<u>121,274</u>	<u>124,449</u>	<u>3,175</u>
Expenditures:				
Other outlays	<u>234,365</u>	<u>234,365</u>	<u>233,477</u>	<u>888</u>
Excess of revenues collected over (under) expenditures	(113,091)	(113,091)	(109,028)	4,063
Cash fund balances, beginning of year	<u>113,091</u>	<u>113,091</u>	<u>113,091</u>	<u>-</u>
Cash fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>4,063</u>	<u>4,063</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the McCord School District Number C-77, Shawnee, Osage County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

A. Reporting Entity

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

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

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

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus

The accounts of the District are organized and operate on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

Governmental funds are used to account for most of the District's general activities and general long-term debt account group, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund, and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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

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

Debt Service fund – consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Project fund – consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, construction and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

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

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

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the financial statements.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School District invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

5. Inventories

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

6. Fixed Assets

The regulatory basis of accounting prescribed by the Oklahoma State Board of Education requires the presentation of fixed assets. The District has not maintained a record of its fixed assets, and, accordingly, a statement of fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

7. Compensated Absences

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

8. Long-term Obligations

The District reports long-term debt at face value in the general long-term debt account group. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. Fund Balance Classifications

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

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

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

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

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

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

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Property Taxes and Other Local 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

October 1, the property is offered for sale for the amount of the taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

11. Intermediate Revenues

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

12. State Revenues

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

13. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

14. Instruction Expenditures

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

15. Support Services Expenditures

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

16. Operation of Non-Instructional Services Expenditures

These expenditures are activities concerned with providing non-instructional services to students, staff or the community.

17. Facilities Acquisition and Construction Services Expenditures

These expenditures consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

18. Other Outlays Expenditures

A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another.

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

19. Other Uses Expenditures

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

20. Repayment Expenditures

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

21. Non-Monetary Transactions

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

22. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

23. Resource Use Policy

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

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all Governmental Funds of the District. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

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

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

At June 30, 2017 the District held deposits of approximately \$1,053,505 at financial institutions. The District's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

insured or collateralized with securities held by the District or by its agent in the District's name. Therefore, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk

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

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

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

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

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

B. Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. Debt Service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Additionally, the District has entered into a lease purchase agreement for the purchase of copiers.

On June 1, 2015, the District issued combined purpose bonds in the amount of \$475,000, with an interest rates of 0.80% to 3.00%. Bond maturities begin June 1, 2017 with a payment of \$115,000 and annual installments thereafter of \$120,000 with final maturity June 1, 2020.

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

B. Long-term Debt – cont'd

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	<u>General Obligation Bonds</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2018	\$ 120,000	7,200	127,200
2019	120,000	6,000	126,000
2020	120,000	3,600	123,600
Total	<u>\$ 360,000</u>	<u>16,800</u>	<u>376,800</u>

Interest paid on general long-term debt during the current year totaled \$8,835.

C. Changes in General Long-term Debt

General long-term debt consists of bonds payable and a capital lease. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	Balance July 1, 2016	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2017
Bonds	<u>\$ 585,000</u>	<u>-</u>	<u>225,000</u>	<u>360,000</u>

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

4. OTHER INFORMATION

A. Risk Management

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

The School participates in a risk pool for Worker's compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$8,743.

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017

4. OTHER INFORMATION – cont’d

D. Employee Retirement System and Plan

Description of Plan

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

Basis of Accounting

The System’s financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

The non-funded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2017, is as follows:

Actuarial Accrued Liability	\$ 22,054,148,050
Actuarial Value of Assets	<u>15,516,340,027</u>
Unfunded Actuarial Accrued Liability	<u>\$ 6,537,808,023</u>

Funding Policy

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee’s earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.00% of covered compensation. Additionally, OTRS receives “federal

**MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2017**

4. OTHER INFORMATION – cont'd

D. Employee Retirement System and Plan – cont'd

matching contributions” for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 7.70%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District’s employer contribution rate was 9.50%. The District is allowed by the Oklahoma Teachers’ Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District’s total contributions, including the state credit, for 2017, 2016 and 2015 were \$193,483, \$180,221, and \$187,934 respectively.

E. Surety Bonds

The superintendent is bonded by Liberty Mutual Surety Company, bond number 601107969, for the penal sum total of \$100,000 for the terms beginning July 15, 2016 and ending July 15, 2017.

The treasurer is bonded by Liberty Mutual Surety Company. The bond number is 5026325, for the penal sum of \$100,000, term beginning July 1, 2016 and ending July 1, 2017. This is a renewal of a continuous bond.

The District has an Oklahoma Public Employees Position Schedule Bond with Western Surety Company which includes the encumbrance clerk and minutes clerk. The bond number is 18280546, for the penal sum of \$30,000, term beginning October 1, 2016 and ending October 1, 2017. This is a renewal of a continuous bond.

**McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 37,040	64,088	101,128
 <u>LIABILITIES AND CASH FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 1,907	33,439	35,346
Encumbrances payable	-	-	-
Total liabilities	1,907	33,439	35,346
 Cash Fund Balances			
Restricted	35,133	30,649	65,782
 Total Liabilities and Cash Fund Balances	\$ 37,040	64,088	101,128

**McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES -
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues collected:			
Local sources	\$ 54,047	30,171	84,218
State sources	-	12,688	12,688
Federal sources	-	124,083	124,083
Non-revenue receipts	-	264	264
Total revenues collected	54,047	167,206	221,253
Expenditures:			
Support services	29,233	-	29,233
Operation of non-instruction services	-	179,847	179,847
Other outlays	-	264	264
Total expenditures	29,233	180,111	209,344
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	24,814	(12,905)	11,909
Adjustments to prior year encumbrances	50	-	50
Excess of revenues collected over (under) expenditures	24,864	(12,905)	11,959
Cash fund balances, beginning of year	10,269	43,554	53,823
Cash fund balances, end of year	\$ 35,133	30,649	65,782

McCord School District No. C-77
Osage County, Oklahoma

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	BUILDING FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 50,201	108,059	54,047	(54,012)
Expenditures:				
Support services	60,470	118,328	29,233	89,095
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(10,269)	(10,269)	24,814	35,083
Adjustments to prior year encumbrances	-	-	50	50
Excess of revenues collected over (under) expenditures	(10,269)	(10,269)	24,864	35,133
Cash fund balances, beginning of year	10,269	10,269	10,269	-
Cash fund balances, end of year	\$ -	-	35,133	35,133

**McCord School District No. C-77
Osage County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>CHILD NUTRITION FUND</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenues collected:				
Local sources	\$ 32,806	32,806	30,171	(2,635)
State sources	1,107	1,107	12,688	11,581
Federal sources	85,754	147,083	124,083	(23,000)
Non-revenue receipts	631	631	264	(367)
Total revenues collected	<u>120,298</u>	<u>181,627</u>	<u>167,206</u>	<u>(14,421)</u>
Expenditures:				
Operation of non-instruction services	163,588	224,917	179,847	45,070
Other outlays	264	264	264	-
Total expenditures	<u>163,852</u>	<u>225,181</u>	<u>180,111</u>	<u>45,070</u>
Excess of revenues collected over (under) expenditures	(43,554)	(43,554)	(12,905)	30,649
Cash fund balances, beginning of year	<u>43,554</u>	<u>43,554</u>	<u>43,554</u>	<u>-</u>
Cash fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>30,649</u>	<u>30,649</u>

McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

COMBINING STATEMENT OF ASSETS AND LIABILITIES AND CASH FUND BALANCES -
REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2017

	EXPENDABLE TRUST FUNDS	AGENCY FUND	
	GIFTS FUND	ACTIVITY FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 23,722	18,291	42,013
 <u>LIABILITIES AND CASH FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 5,805	-	5,805
Funds held for school organizations	-	18,291	18,291
Total liabilities	5,805	18,291	24,096
Cash Fund Balances			
Restricted	17,917	-	17,917
Total Liabilities and Cash Fund Balances	\$ 23,722	18,291	42,013

McCord School District No. C-77
Osage County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>ASSETS</u>	<u>BALANCE</u> <u>7-01-16</u>	<u>ADDITIONS</u>	<u>ADJUST/ TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-17</u>
Cash	\$ 21,382	53,608	-	56,699	18,291
 <u>LIABILITIES</u>					
Funds held for school organizations:					
Athletics	11,191	13,257	-	22,536	1,912
Bookstore	1,737	1,303	-	1,669	1,371
Pictures	123	2,761	-	1,617	1,267
Hospitality	170	2,177	612	1,250	1,709
Library	1,739	10,807	-	9,088	3,458
Foundation	180	-	(180)	-	-
Kindergarten/D-1st	252	3,491	-	1,784	1,959
6th Grade	153	50	-	-	203
Science	283	-	(283)	-	-
After-School Care	209	12,527	-	12,736	-
Box Tops for Education	445	951	-	707	689
Technology Account	429	-	(149)	280	-
Pre K	685	797	-	368	1,114
First	1,129	1,059	-	1,340	848
Second	1,197	1,952	-	1,766	1,383
Third	449	724	-	612	561
Fourth	1,000	1,600	-	900	1,700
Fifth	-	100	-	46	54
Noncategorical	11	52	-	-	63
TOTAL LIABILITIES	\$ 21,382	53,608	-	56,699	18,291

McCord School District No. C-77
Osage County, Oklahoma
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Project Number	Program or Award Amount	Revenue Collected	Total Expenditures	Unexpended Budgeted Balance
U.S. Department of Education:						
<u>Passed Through State Department of Education:</u>						
Title I	84.010	511	\$ 49,727	-	49,727	-
Title I 2015-16 - Note 1	84.010	511	-	43,876	-	-
Title II Teacher/Principal Training	84.367	541	12,331	-	4,885	7,446
Title II Teacher/Principal Training 2015-16 - Note 1	84.367	541	-	12,945	-	-
Title I Cluster			62,058	56,821	54,612	7,446
IDEA-B Flowthrough	84.027	621	51,608	-	51,608	-
IDEA-B Flowthrough 2015-16 - Note 1	84.027	621	-	49,524	-	-
IDEA-B Preschool	84.173	641	2,097	-	2,097	-
IDEA-B Preschool 2015-16 - Note 1	84.173	641	-	2,079	-	-
Special Education Cluster			53,705	51,603	53,705	-
Title VI Subpart 1, Small Rural School Achievement	84.358A	588	25,888	-	25,888	-
Title VI Subpart 1, Small Rural School Achievement 2015-16 -Note 1	84.358A	588	-	23,031	-	-
Subtotal			25,888	23,031	25,888	-
Total U.S. Department of Education			141,651	131,455	134,205	7,446
U.S. Department of Agriculture:						
<u>Passed Through State Department of Education:</u>						
Child Nutrition Programs:						
School Breakfast Program	10.553	764	-	27,754	28,255	-
National School Lunch Program	10.555	763	-	94,509	99,585	-
National School Lunch Program - commodities - Note 4	10.555	763	-	8,743	8,743	-
Summer Food Service Program	10.599	766	-	1,820	5,120	-
Total U.S. Department of Agriculture			-	132,826	141,703	-
Other Federal Assistance:						
Flood Control		770	-	198	-	-
Total Expenditures of Federal Awards - Note 3			\$ 141,651	264,479	275,908	7,446

Note 1: These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2: Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2017. 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 selected portion of the operations of the School, it is not intended and does not present financial position, changes in net assets or cash flows of the School.

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

Note 4: Food Distribution - Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

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

The Honorable Board of Education
McCord School District Number C-77
Osage County, 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 accompanying fund type and account group financial statements-regulatory basis, of the McCord School District No. C-77, Osage County, Oklahoma ("District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's combined financial statements, and have issued our report thereon dated March 15, 2018. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 15, 2018

**McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**McCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no prior year findings or questioned costs.

MCCORD SCHOOL DISTRICT NO. C-77
Osage County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2017

State of Oklahoma)
)ss
County of Pottawatomie)

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

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm



by _____
Authorized Agent

Subscribed and sworn to before me this 15th day of March, 2018.



Notary Public (Commission #11002236)
My Commission Expires March 10, 2019



EXHIBIT B
FORM OF OPINION OF BOND COUNSEL

_____, 2019

We have acted as Bond Counsel in connection with the issuance by Elementary School District Number C-77 of Osage County, Oklahoma (the “Issuer”) of \$330,000 General Obligation Bonds, Series 2019 dated January 1, 2019 (the “Bonds”). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding obligations of the Issuer.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer has provided for the collection of an annual tax sufficient to pay the interest on the Bonds as it becomes due and also to constitute a sinking fund for the payment of the principal thereof according to law.
3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer in connection with the Bonds, and we have assumed compliance by the Issuer with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Issuer will execute an Arbitrage and Use of Proceeds Certificate (the “Arbitrage Certificate”) containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Arbitrage Certificate, the Issuer covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 3, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Arbitrage Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Issuer with the procedures and covenants set forth in the Arbitrage Certificate as to such tax matters.

4. The Code generally denies financial institutions (including foreign banks doing business in the United States) 100% of interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986, for tax years ending after December 31, 1986. An exception to the provisions is provided in Section 265(b)(3)(B) of the Code for qualified tax-exempt obligations acquired by a financial institution. Pursuant to its Resolution duly adopted, the Issuer has made representations that it reasonably anticipates that the aggregate amount of “qualified tax-exempt obligations”, as defined in Section 265(b)(3)(B) of the Code, which have been issued or will be issued by the Issuer and all subordinate entities thereof during calendar year 2019 will not exceed \$10,000,000 and has designated the Bonds for the purpose of the Section 265(b)(3)(B) exception. Based solely on such representations and designation of the Issuer, it is our opinion that the Bonds constitute qualified tax-exempt obligations for purposes of Section 265(b)(3)(B) and are thus treated as if acquired by financial institutions on August 7, 1986.
5. Interest on the Bonds is exempt from Oklahoma income taxation pursuant to Section 2358.5 of Title 68, Oklahoma Statutes, 2011.

Except as stated in paragraphs 3, 4, and 5 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Issuer.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

This opinion is limited to matters of Oklahoma law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the Issuer in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the Issuer in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the Issuer, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Respectfully submitted,

THE PUBLIC FINANCE LAW GROUP PLLC