

Ringling School District I-14
Jefferson County, Oklahoma

Financial Statements
Year-End June 30, 2016

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Jefferson County, Oklahoma
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June 30, 2016

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Independent Auditor's Report

The Honorable Board of Education
Ringling School District, I-14
Jefferson County, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements of Ringling School District, I-14, Jefferson County, Oklahoma, as of and for the year ended June 30, 2016, 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 of 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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

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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 Accepting Accounting Principles

As discussed in Note 1, the financial statements are prepared by Ringling School District, I-14, Jefferson County, Oklahoma, on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of 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 statement 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 Ringling School District, I-14, Jefferson County, Oklahoma as of June 30, 2016, the changes in its financial position for the year then ended.

Basis for Qualified Opinion on General Fixed Asset Account Group

As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with financial reporting provisions of Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on General Fixed Asset Account Group" paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Ringling School District, I-14, Jefferson County, Oklahoma, as of June 30, 2016, and the revenues collected and expenses paid and budgetary results for the year then ended on the 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 Ringling School District I-14, Jefferson County, Oklahoma financial statements as a whole. The accompanying combining financial statements, combining statement of changes in cash balances – regulatory basis – activity funds, and schedule of expenditures of

federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, combining statement of changes in cash balances – regulatory basis – activity fund, and 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Oklahoma Department of Education requires the statement of statutory fidelity and honesty bonds and schedule of accountant’s professional liability insurance be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. We have applied limited procedures to this other information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of Ringling School District I-14, Jefferson County, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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 express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Ringling School District I-14, Jefferson County, Oklahoma’s internal control over financial reporting and compliance.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
March 29, 2017

Ringling School District I-14
Jefferson County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Equity
Regulatory Basis – All Governmental Fund Type and Account Groups
June 30, 2016

	Governmental Fund Types				Fiduciary	Account	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Trust and Agency	Group General Long Term Debt	(memorandum only - Note 1) 6/30/2016
ASSETS							
Cash	\$ 450,120	\$ 460,247	\$ 73,273	\$ 5	\$ 94,644	\$ -	\$ 1,078,289
Amount available in debt service fund	-	-	-	-	-	73,273	73,273
Amounts to be provided for							
Capital leases	-	-	-	-	-	198,985	198,985
Retirement of general long term debt	-	-	-	-	-	596,727	596,727
Total Assets	\$ 450,120	\$ 460,247	\$ 73,273	\$ 5	\$ 94,644	\$ 868,985	\$ 1,947,274
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 193,365	\$ 14,442	\$ -	\$ -	\$ -	\$ -	\$ 207,807
Due to others	-	-	-	-	94,644	-	94,644
Encumbrances	6,971	-	-	-	-	-	6,971
Capital leases payable	-	-	-	-	-	198,985	198,985
General obligation bonds payable	-	-	-	-	-	670,000	670,000
Total Liabilities	200,336	14,442	-	-	94,644	868,985	1,178,407
Fund Equity:							
Undesignated	249,784	445,805	73,273	5	-	-	768,867
Total Cash Fund Balances	249,784	445,805	73,273	5	-	-	768,867
Total Liabilities and Fund Equity	\$ 450,120	\$ 460,247	\$ 73,273	\$ 5	\$ 94,644	\$ 868,985	\$ 1,947,274

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

Ringling School District I-14
Jefferson County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
Regulatory Basis – All Governmental Fund Type
For the Year Ended June 30, 2016

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2016
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 535,782	\$ 326,195	\$ 102,184	\$ -	\$ 964,161
Intermediate sources	72,405	998	-	-	73,403
State sources	2,460,075	19,656	-	-	2,479,731
Federal sources	230,328	144,414	-	-	374,742
Total Revenues Collected	<u>\$ 3,298,590</u>	<u>\$ 491,263</u>	<u>\$ 102,184</u>	<u>\$ -</u>	<u>\$ 3,892,037</u>
Expenditures paid:					
Instruction	\$ 2,106,520	\$ -	\$ -	\$ -	\$ 2,106,520
Support services	1,117,254	47,353	-	-	1,164,607
Non-Instructional services	11,320	249,955	-	-	261,275
Capital outlay	-	19,960	-	-	19,960
Other outlays	10,727	-	-	-	10,727
Debt service:					
Principal payments	-	-	110,000	-	110,000
Interest and fiscal agent fees	-	-	12,050	-	12,050
Total expenditures paid	<u>3,245,821</u>	<u>317,268</u>	<u>122,050</u>	<u>-</u>	<u>3,685,139</u>
Excess of revenues collected over (under) expenditures paid	52,769	173,995	(19,866)	-	206,898
Adjustments to prior year encumbrances	5,613	-	-	-	5,613
Excess of revenues collected and other sources over (under) expenditures paid and other uses	58,382	173,995	(19,866)	-	212,511
Cash fund balances, beginning of year	191,402	271,810	93,139	5	556,356
Cash fund balances, end of year	<u>\$ 249,784</u>	<u>\$ 445,805</u>	<u>\$ 73,273</u>	<u>\$ 5</u>	<u>\$ 768,867</u>

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

Ringling School District I-14
Jefferson County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2016

	General Fund				Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 191,402	\$ 191,402	191,402	\$ -	\$ 271,810	\$ 271,810	\$ 271,810	\$ -
Revenues collected:								
Local sources	488,413	488,413	535,782	47,369	114,018	114,018	326,195	212,177
Intermediate sources	59,100	59,100	72,405	13,305	-	-	998	998
State sources	2,630,832	2,630,832	2,460,075	(170,757)	3,002	3,002	19,656	16,654
Federal sources	176,909	176,909	230,328	53,419	133,000	133,000	144,414	11,414
Total Revenues Collected	<u>\$ 3,355,254</u>	<u>\$ 3,355,254</u>	<u>\$ 3,298,590</u>	<u>\$ (56,664)</u>	<u>\$ 250,020</u>	<u>\$ 250,020</u>	<u>\$ 491,263</u>	<u>\$ 241,243</u>
Expenditures paid:								
Instruction	2,107,000	2,107,000	2,106,520	(480)	-	-	-	-
Support services	1,120,982	1,120,982	1,117,254	(3,728)	295,545	295,545	47,353	(248,192)
Non-Instructional services	12,000	12,000	11,320	(680)	226,285	226,285	249,955	23,670
Capital outlay	-	-	-	-	-	-	19,960	19,960
Other outlays	306,674	306,674	10,727	(295,947)	-	-	-	-
Total Expenditures paid	<u>\$ 3,546,656</u>	<u>\$ 3,546,656</u>	<u>\$ 3,245,821</u>	<u>\$ (300,835)</u>	<u>\$ 521,830</u>	<u>\$ 521,830</u>	<u>\$ 317,268</u>	<u>\$ (204,562)</u>
Excess of revenues collected over (under) expenditures paid	(191,402)	(191,402)	244,171	244,171	(271,810)	(271,810)	445,805	445,805
Adjustment to prior year encumbrances	-	-	5,613	5,613	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,784</u>	<u>\$ 249,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,805</u>	<u>\$ 445,805</u>

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

Ringling School District I-14
Jefferson County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund
Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2016

	Debt Service Fund			
	Original	Final	Actual Budgetary	
	Budget	Budget	Basis	Variance
Beginning cash fund balances - Budgetary basis	\$ 11,131	\$ 11,131	\$ 11,131	\$ -
Revenues collected:				
Local sources	100,736	100,736	102,184	1,448
State sources	-	-	-	-
Total Revenues Collected	\$ 100,736	\$ 100,736	\$ 102,184	\$ 1,448
Expenditures paid:				
Debt service:				
Principal payments	100,000	100,000	100,000	-
Interest and fiscal agent fees	11,867	11,867	11,867	-
Total Expenditures Paid	\$ 111,867	\$ 111,867	\$ 111,867	\$ -
Excess of revenues collected over (under) expenditures paid	-	-	1,448	1,448
Ending cash fund balances budgetary basis	\$ -	\$ -	\$ 1,448	\$ 1,448

Reconciliation between Budgetary Comparison Schedule
and Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances.

Actual amounts "Total Expenditures Paid" from budgetary comparison Schedule:	111,867
Adjustments for Bond Principal and Interest Accruals:	10,183
Total Expenditures Paid as reported on the Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances	122,050
Actual amounts "Ending Cash Balances" from budgetary comparison Schedule:	1,448
Adjustments for Bond Principal and Interest Accruals:	71,825
Ending Cash Balances as reported on the Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances	\$ 73,273

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

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. *Summary of Significant Accounting Policies*

The basic financial statements of the Ringling School District, I-14, Jefferson County, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. *The 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 for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering 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.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue fund consists of the District's Building Fund and Child Nutrition Fund. The Building fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund derives monies from local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting – (continued)

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

Capital Projects Fund – The capital projects fund is the District’s Bond Fund and is used to account for the proceeds from bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

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

Account Groups

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

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

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The district does not maintain the fixed asset records necessary to account for this account group.

Memorandum Only - Total Column

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

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

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*. This format significantly differs from that required by GASB 34.

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

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

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

Noncash Transactions - The District received federal food commodities in the amount of \$10,633. In addition, the State of Oklahoma paid approximately \$26,713 directly to the teacher retirement fund on behalf of the District's employees.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

D. Budgets and Budgetary Accounting

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

The District has approved by a majority of the electors of the District voting on the question made the ad valorem levy for emergency levy and local support levy permanent.

Prior to September 1, the District must file with the county excise board, a budget for the current fiscal year including an itemized statement of estimate of needs and probable income from all sources including ad valorem taxes. This budget, if not protested, becomes the legal budget for the District.

Under current Oklahoma Statutes a formal 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.

E. Assets Liabilities and Fund Equity

Investment - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policies are governed by *Oklahoma Statutes*. 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, banks and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal depository insurance.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

E. Assets Liabilities and Fund Equity – (continued)

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

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

If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories - The value of consumable inventories at June 30, 2016 is not material to the financial statements.

Capital Assets - The General Fixed Asset Account Group is not presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave.

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

Fund Balance - Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies – (continued)

F. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 76% of the District's general fund revenue comes from state sources.

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the 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 education program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions which are reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

2. Cash

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2016, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

Ringling School District I-14
 Jefferson County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

3. General Long Term Debt

State statute prohibit the District from becoming indebted in an amount exceeding the revenue 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. Those bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2016:

	<i>Bonds Payable</i>	<i>Capital Leases</i>
Balance July 1, 2015	\$ 780,000	\$ 261,370
Additions	-	-
Retirements	(110,000)	(62,385)
Balance June 30, 2016	\$ 670,000	\$ 198,985

General Obligation Bonds

A brief description of the outstanding general obligations issues at June 30, 2016, is set forth below:

Independent School District, I-14 Building Bonds of 2012, original issue \$1,000,000, interest rates from 1.0% to 3.875%, due in annual installments of \$110,000 with a final installment of \$120,000 due 5/1/22.	<i>Amount Outstanding</i> \$ 670,000
	\$ 670,000

Ringling School District I-14
 Jefferson County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

3. General Long Term Debt – (continued)

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	110,000	10,950	\$ 120,950
2018	110,000	9,850	119,850
2019	110,000	8,475	118,475
2020	110,000	6,825	116,825
2021	110,000	4,900	114,900
2022	120,000	2,700	122,700
Total	<u>\$ 670,000</u>	<u>\$ 43,700</u>	<u>\$ 713,700</u>

Capital Leases

The District enters into lease agreements as lessee for financing the acquisition of equipment. For accounting purposes since lease term is greater than 75% of the useful life of the equipment, it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which provides the ability to terminate the agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt group.

The District entered into a lease agreement of four copier machines to be used by the district in the amount of \$25,800 at interest rates of 5.40% payable in sixty monthly installments. The District entered into a Lease purchase agreement for Cafeteria Equipment in the amount of \$300,000 at an interest rate of 3.13% with payment of \$42,980 due in eight yearly installments started in June 2014.

Scheduled payments under the lease/purchase agreement as of each fiscal year ended June 30, are as follows:

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2017	\$ 45,928
2018	42,980
2019	42,980
2020	42,980
2021	42,980
	<u>217,848</u>
Less: Interest	<u>(18,863)</u>
Total	<u>\$ 198,985</u>

Interest expense on general long-term debt incurred during the current year totaled \$19,637.

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

3. General Long Term Debt – (continued)

Pledged Revenues

Property Tax revenues collected by the District are pledged to repay the District's General Obligation Bonds. Proceeds from the bonds were used for construction of the cafeteria/safe room. The bonds are payable solely from the pledged revenues and are payable through 2022. As of June 30, 2016, \$670,000 general obligation bonds were outstanding. Current year had a payment of pledged revenues of \$122,050 which included principal and interest. Of the current year collections of the pledged revenues 100% was used for the current year payment.

4. Employee Retirement System

Teachers' Retirement System of Oklahoma

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

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

- After five years of credited service, members become 100% vested in benefits earned to date.
- Members who joined the System prior to July 1, 1992 are eligible to retire at maximum benefits at the earlier of age 62 or when age and years of creditable service total 80. Members joining from July 1, 1992 to October 31, 2011 are eligible for maximum benefits at the earlier of age 62 or when their age and years of creditable service total 90. Members who joined the System on or after November 1, 2011 are eligible to retire with maximum benefits at the earlier of age 65 or when their age and years of creditable service total 90 as long as their age is at least 60.
- The maximum retirement benefit is 2% of final average compensation times the number of years of credited service. Reduced benefits are available at age 55 for members joining prior to November 1, 2011 or age 60 for members joining after

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

4. Employee Retirement System (continued)

October 31, 2011. Reduction factors vary depending on age and date of membership when joining the System.

- Final average compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for three highest year of contributing compensation. For members joining the System after June 30, 1992 final average compensation is defined as the average of the five highest consecutive years of contributing compensation. Prior to July 1, 1995 all contributions were limited to salary caps of \$40,000 or \$25,000 depending on the member's election. Salary caps were removed starting July 1, 1995.
- Upon death, the designated beneficiary of a member who has not retired shall receive total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. The surviving spouse may elect to receive the retirement benefit of the member, in lieu of the aforementioned benefits.
- Upon death of a retired member, the System will pay \$5,000 to the designated beneficiary in addition to the benefits provided by the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon withdrawal from the system, a member's contributions are refundable with interest, based on the years of service.

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2016, qualifying employee contributions were reduced by a retirement credit of \$26,713 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2016, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2016, the District contributions to the System for were \$194,828.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$164,148.

Ringling School District I-14
 Jefferson County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

4. Employee Retirement System (continued)

Pension Liability and Pension Expense

At June 30, 2016, the District's proportionate share of the net pension liability was \$2,806,109. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.04598952%, which was an increase of 0.00197533% to the proportion measured as of June 30, 2014.

For the year ended June 30 2016, the District had pension expense of \$165,000.

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.50%	2.95%
Domestic Equity	40.00%	6.00%
International Equity	17.50%	5.80%
Private Equity	5.00%	7.60%
Real Estate	7.00%	5.50%
Limited Partnerships	7.00%	7.90%
	<u>100.00%</u>	

Ringling School District I-14
 Jefferson County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

4. Employee Retirement System (continued)

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate	1% Increase (9.00%)
District's Proportionate share of the net pension liability	\$ 3,879,153	\$ 6,101,626,098	\$ 1,904,166

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

5. Contingencies

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

Ringling School District I-14
Jefferson County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

6. *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

7. *Construction Commitments*

During the fiscal year 2016, the District entered into a construction contract of approximately \$285,158 for re-roof project for the buildings damaged during storm. The project will be financed with Building Funds. During fiscal year 2016, the District had received \$196,972 in insurance recoveries deposited into building fund, related to the claim of the damaged roofs. As of June 30, 2016, construction had not started.

8. *Subsequent Event*

The District has evaluated subsequent events through March 29, 2017, the date which the financial statements were available to be issued.

Ringling School District I-14
Jefferson County, Oklahoma
Supplementary Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Special Revenue Funds
June 30, 2016

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 407,673	\$ 52,574	\$ 460,247
Total Assets	<u>\$ 407,673</u>	<u>\$ 52,574</u>	<u>\$ 460,247</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 412	\$ 14,030	\$ 14,442
Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>412</u>	<u>14,030</u>	<u>14,442</u>
Fund Equity:			
Unreserved:			
Undesignated	<u>407,261</u>	<u>38,544</u>	<u>445,805</u>
Total Cash Fund Balances	<u>407,261</u>	<u>38,544</u>	<u>445,805</u>
Total Liabilities and Fund Equity	<u>\$ 407,673</u>	<u>\$ 52,574</u>	<u>\$ 460,247</u>

Ringling School District I-14
Jefferson County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2016

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
Revenues collected:			
Local sources	\$ 275,085	\$ 51,110	\$ 326,195
Intermediate sources	998	-	998
State sources	12,316	7,340	19,656
Federal sources	-	144,414	144,414
Total Revenues Collected	<u>\$ 288,399</u>	<u>\$ 202,864</u>	<u>\$ 491,263</u>
Expenditures paid:			
Support services	\$ 47,353	\$ -	\$ 47,353
Non-instructional services	42,980	206,975	249,955
Capital outlay	19,960	-	19,960
Other outlays	-	-	-
Total expenditures paid	<u>\$ 110,293</u>	<u>\$ 206,975</u>	<u>\$ 317,268</u>
Excess of revenues collected over (under) expenditures paid	<u>\$ 178,106</u>	<u>\$ (4,111)</u>	<u>\$ 173,995</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	\$ 178,106	\$ (4,111)	\$ 173,995
Cash fund balances, beginning of year	<u>229,155</u>	<u>42,655</u>	<u>271,810</u>
Cash fund balances, end of year	<u><u>\$ 407,261</u></u>	<u><u>\$ 38,544</u></u>	<u><u>\$ 445,805</u></u>

Ringling School District I-14
Jefferson County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2016

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 229,155	\$ 229,155	\$ 229,155	\$ 42,655	\$ 42,655	\$ 42,655	\$ 271,810	\$ 271,810	271,810
Revenues collected:									
Local sources	66,388	66,388	275,085	47,630	47,630	51,110	114,018	114,018	326,195
Intermediate sources	-	-	998	-	-	-	-	-	998
State sources	2	2	12,316	3,000	3,000	7,340	3,002	3,002	19,656
Federal sources	-	-	-	133,000	133,000	144,414	133,000	133,000	144,414
Total revenues collected	<u>66,390</u>	<u>66,390</u>	<u>288,399</u>	<u>183,630</u>	<u>183,630</u>	<u>202,864</u>	<u>250,020</u>	<u>250,020</u>	<u>491,263</u>
Expenditures paid:									
Support services	295,545	295,545	47,353	-	-	-	295,545	295,545	47,353
Non-Instructional Services	-	-	42,980	226,285	226,285	206,975	226,285	226,285	249,955
Capital outlay	-	-	19,960	-	-	-	-	-	19,960
Other outlays	-	-	-	-	-	-	-	-	-
Total expenditures paid	<u>295,545</u>	<u>295,545</u>	<u>110,293</u>	<u>226,285</u>	<u>226,285</u>	<u>206,975</u>	<u>521,830</u>	<u>521,830</u>	<u>317,268</u>
Excess of revenues collected over (under) expenditures paid	<u>(229,155)</u>	<u>(229,155)</u>	<u>178,106</u>	<u>(42,655)</u>	<u>(42,655)</u>	<u>(4,111)</u>	<u>(271,810)</u>	<u>(271,810)</u>	<u>173,995</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,805</u>

Ringling School District I-14
Jefferson County, Oklahoma
Supplementary Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2016

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
Art	\$ 1,251	\$ 1	\$ -	\$ 1,252
Yearbook	5,497	8,224	10,924	2,797
FHA	6,939	1,920	2,967	5,892
FFA	1,784	38,620	38,720	1,684
Senior Account	372	6,133	4,137	2,368
Junior Account	5,832	23,094	26,972	1,954
6/7th Cheerleaders	187	10,918	5,223	5,882
JH Cheerleaders	276	3,961	4,086	151
HS Cheerleaders	7,277	38,049	39,356	5,970
Student Council	1,501	1,229	1,679	1,052
Petty Cash	-	259	59	200
Athletics	27,910	97,143	90,194	34,860
Archery	5,271	1,316	4,942	1,645
Library	817	0	-	817
General Fund	658	2,605	2,525	738
Band	6,180	40,094	40,447	5,828
Elementary	1,797	775	1,099	1,473
Sky Box Account	14,208	3,282	6,216	11,274
Shooting Sports	47	-	-	47
Tri-County	9,812	20,878	22,252	8,438
Academic Team	872	100	650	322
Football Scoreboard	-	8,752	8,752	-
	<u>\$ 98,488</u>	<u>\$ 307,355</u>	<u>\$ 311,199</u>	<u>\$ 94,644</u>

Ringling School District I-14
 Jefferson County, Oklahoma
 Supplementary Schedule
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2015	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2016
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555		\$ 48,958	\$ 100,057	\$ 116,020	\$ 32,995
School Breakfast Program	10.553		<u>24,513</u>	<u>44,357</u>	<u>62,392</u>	<u>6,478</u>
Cash Assistance Subtotal			<u>73,471</u>	<u>144,414</u>	<u>178,412</u>	<u>39,473</u>
<i>Passed Through State Department of Human Services:</i>						
National School Lunch Program- Commodities	10.555		-	10,633	10,633	-
Non-Cash Assistance Subtotal			<u>-</u>	<u>10,633</u>	<u>10,633</u>	<u>-</u>
Child Nutrition Cluster Total			<u>\$ 73,471</u>	<u>\$ 155,047</u>	<u>\$ 189,045</u>	<u>\$ 39,473</u>
Total U.S. Department of Agriculture			<u>\$ 73,471</u>	<u>\$ 155,047</u>	<u>\$ 189,045</u>	<u>\$ 39,473</u>
Total Expenditures of Federal Awards			<u>\$ 33,849</u>	<u>\$ 385,375</u>	<u>\$ 390,559</u>	<u>\$ 28,665</u>

See accompanying notes to schedule of expenditures of federal awards

Ringling School District I-14
Jefferson County, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ringling School District I-14 Jefferson County, Oklahoma under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ringling School District I-14 Jefferson County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Ringling School District I-14 Jefferson County, Oklahoma.

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

Ringling School District I-14 Jefferson County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Subrecipients

Ringling School District I-14 Jefferson County, Oklahoma did not have any awards that have been passed through to subrecipients.



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

The Honorable Board of Education
Ringling School District I-14
Jefferson County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements of Ringling School District I-14, Jefferson County Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Ringling School District I-14, Jefferson County Oklahoma’s basic regulatory financial statements and have issued our report thereon dated March 29, 2017. Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ringling School District I-14, Jefferson County, Oklahoma’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness Ringling School District I-14, Jefferson County, Oklahoma’ internal control. Accordingly, we do not express an opinion on the effectiveness of Ringling School District I-14, Jefferson County, Oklahoma’s internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weakness. 2016-002.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2016-001, 2016-003 and 2016-004

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ringling School District I-14, Jefferson County Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-004.

Ringling School District I-14, Jefferson County, Oklahoma's Response to Findings

Ringling School District I-14, Jefferson County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ringling School District I-14, Jefferson County Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

March 29, 2017

Ringling School District I-14
Jefferson County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2016

2016-001 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

Cause: The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

Effect: Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

Recommendation: We recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

2016-002 Segregation of Duties

Condition: The treasurer performs opening of mail, posting of cash receipts, preparing the deposit and reconciling bank accounts. No reconciliation between the mail log and bank statements is being completed.

Ringling School District I-14
Jefferson County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2016

Criteria: An adequately designed internal control system separates duties over handling cash between custody, approval, and recordkeeping.

Cause: Limited availability of staff.

Effect: Risk that errors or omissions will not be identified in a timely manner.

Recommendation: We recommend that mail log being completed by the superintendent be reconciled monthly to the bank statement and documentation kept it has been completed.

*Views of Responsible Officials
and Planned Corrective*

Action: The superintendant is opening the mail and making copies of amounts received before giving to the treasurer for deposit. He will start reconciling his mail log to the bank statement on a monthly basis.

2016-003 Purchasing

Condition: Purchases occurred before the appropriate budgetary control was in place and approved.

Criteria: Board policy requires that prior to any purchase being completed a purchase order must be issued.

Cause: Failure to determine a purchase order was created and approved prior to making purchase.

Context: Three out of twenty-five purchase orders tested did not have purchase orders. All four of these exceptions were in the activity fund.

Effect: Lack of compliance with board policy

Recommendation: We recommend that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

Ringling School District I-14
Jefferson County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2016

2016-004 Activity Fund Receipts

Condition: All sponsors are not issuing pre-numbered receipts. In addition, funds are not being turned to the financial secretary timely.

Criteria: State Department of Education regulations require all sponsors to issue pre-numbered receipts. In addition, Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.

Cause: Failure to follow regulations

Context: Seven out of twenty-five receipts tested did not have proper supporting documentation. Due to the lack of documentation it is uncertain when funds were actually received by the district, and therefore cannot determine if funds were deposited within one business day based on date received by sponsor.

Effect: Lack of compliance with state law and district policy

Recommendation: We recommend that the following:

1. Individual Receipts need to be issued for funds collected from individuals.
2. Inventory reconciliation needs to be completed for items sold at games including spirit items, t-shirts, etc.
3. Remind sponsors of the board policy to remit funds daily, and thus activity fund custodian can deposit funds within one business day.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

Ringling School District I-14
Jefferson County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2016

2015-001 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Recommendation: The Auditor recommended that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

Current Status: Condition still exists, see current year finding 2016-001.

2015-002 Segregation of Duties

Condition: The treasurer performs opening of mail, posting of cash receipts, preparing the deposit and reconciling bank accounts.

Recommendation: The Auditor recommended that another staff member be involved in the process of handling cash that comes into the District administrative office.

Current Status: Condition still exists, see current year finding 2016-002

2015-003 Purchasing

Condition: Purchases occurred before the appropriate budgetary control was in place and approved.

Recommendation: The Auditor recommended that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

Current Status: Condition still exists, see current year finding 2016-003

2015-004 Activity Fund Receipts

Condition: Pre-numbered receipts are not being issued and Ticket reconciliations are not being completed as required by board policy. In addition, funds are not being turned to the financial secretary timely.

Recommendation: The Auditor recommended that ticket reconciliations be completed, individual pre-numbered receipts be issued and of the requirements surrounding activity fund receipts.

Current Status: Condition still exists, see current year finding 2016-004

Ringling School District I-14
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2016

The District has a Public Official Position Schedule Bond with Western Surety Company. The bond number is 14259215. It covers treasurer, superintendent, student activity custodian, encumbrance clerk, and members of the Board of education for the penal sum of \$154,000 and is for the term September 13, 2015 to September 13, 2016.

Ringling School District I-14
Jefferson County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2016

State of Oklahoma)

County of Carter)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Ringling School District I-14 for the audit year 2015-2016.

RAHHAL HENDERSON JOHNSON, PLLC

BY: *Mary E. Johnson*
Authorized Agent

Subscribed and sworn to before me on this _____ day of, _____, 2017.

Notary Public

Commission Number: _____

My commission expires on: _____ day of, _____, 20__.