FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
FARGO-GAGE INDEPENDENT SCHOOL DISTRICT
NO. 02
ELLIS COUNTY, OKLAHOMA
JUNE 30, 2016

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
JUNE 30, 2016

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FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
JUNE 30, 2016

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FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JULY 1, 2015 THROUGH JUNE 30, 2016

Board of Education

President	Lindsey Schneider
Vice President	Kenneth Moyer
Clerk	Wesley Crain
Member	Tim Cook
Member	Leslie Girton
Member	Dan Plante
Member	Michael West

School District Treasurer

Debbie Perrin

Superintendent of Schools

Terry Stevens

BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education
Fargo-Gage Independent School District No. 02
Fargo, Ellis County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Fargo-Gage Independent School District No. 02, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the 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 as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 modified audit opinions.

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

As described in Note 1, the financial statements are prepared by Fargo-Gage Independent School District No. 02, Oklahoma, 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 meet the requirements of the Oklahoma State Department of Education.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Fargo-Gage Independent School District No. 02, Oklahoma, as of June 30, 2016, or changes in financial position, or cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, 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

However, in our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Fargo-Gage Independent School District No. 02, Oklahoma, as of June 30, 2016, and the revenues it received and expenditures it paid and encumbered for the year then ended, in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements that collectively comprise Fargo-Gage Independent School District No. 02, Oklahoma's basic financial statements. The accompanying Combining Financial Statements and Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2016, on our consideration of Fargo-Gage Independent School District No. 02, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fargo-Gage Independent School District No. 02, Oklahoma's internal control over financial reporting and compliance.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
September 6, 2016

COMBINED FINANCIAL STATEMENTS

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2016

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	$ 2,357,909.10	$ 626,092.33	$ 645,381.15	$ 514,140.83
Amount available in debt service fund	0.00	0.00	0.00	0.00
Amount to be provided for retirement of general long-term debt	0.00	0.00	0.00	0.00
Total Assets	$ 2,357,909.10	$ 626,092.33	$ 645,381.15	$ 514,140.83
LIABILITIES AND FUND BALANCE				
Liabilities:				
Warrants payable	$ 142,087.68	$ 41,840.13	$ 0.00	$ 0.00
Encumbrances	0.00	0.00	0.00	0.00
Due to others	0.00	0.00	0.00	0.00
General obligation bonds payable	0.00	0.00	0.00	0.00
Capital lease payable	0.00	0.00	0.00	0.00
Interest Payable	0.00	0.00	0.00	0.00
Judgment Payable	0.00	0.00	0.00	0.00
Total Liabilities	142,087.68	41,840.13	0.00	0.00
Fund Equity:				
Unreserved:				
Designated for capital projects	0.00	0.00	0.00	514,140.83
Designated for debt service	0.00	0.00	645,381.15	0.00
Undesignated	2,215,821.42	584,252.20	0.00	0.00
Total fund balances	2,215,821.42	584,252.20	645,381.15	514,140.83
Total Liabilities and Fund Balances	$ 2,357,909.10	$ 626,092.33	$ 645,381.15	$ 514,140.83

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

Fiduciary Fund Types Trust and Agency	Account Group General Long-Term Debt	Total (Memorandum Only - Note 1) 2016
$ 60,518.66	$ 0.00	$ 4,204,042.07
0.00	645,381.15	645,381.15
0.00	4,310,618.85	4,310,618.85
$ 60,518.66	$ 4,956,000.00	$ 9,160,042.07
$ 0.00	$ 0.00	$ 183,927.81
0.00	0.00	0.00
60,518.66	0.00	60,518.66
0.00	1,710,000.00	1,710,000.00
0.00	3,246,000.00	3,246,000.00
0.00	0.00	0.00
0.00	0.00	0.00
60,518.66	4,956,000.00	5,200,446.47
0.00	0.00	514,140.83
0.00	0.00	645,381.15
0.00	0.00	2,800,073.62
0.00	0.00	3,959,595.60
$ 60,518.66	$ 4,956,000.00	$ 9,160,042.07

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types				Total (Memorandum Only - Note 1)
	General	Special Revenue	Debt Service	Capital Projects	2016
Revenues:					
Local sources	$ 1,254,116.99	$ 406,561.73	$ 809,601.28	$ 2,728.25	$ 2,473,008.25
Intermediate sources	111,292.78	0.00	0.00	0.00	111,292.78
State sources	1,315,450.79	11,860.46	50.55	0.00	1,327,361.80
Federal Sources	92,554.97	91,564.34	0.00	0.00	184,119.31
Total Revenues Collected	2,773,415.53	509,986.53	809,651.83	2,728.25	4,095,782.14
Expenditures:					
Instruction	1,516,500.24	0.00	0.00	52,905.65	1,569,405.89
Support services	1,106,147.41	137,975.60	0.00	29,193.04	1,273,316.05
Non - Instructional services	21,742.98	131,131.04	0.00	0.00	152,874.02
Capital outlay	0.00	0.00	0.00	913,143.76	913,143.76
Other outlays	23,605.82	0.00	0.00	0.00	23,605.82
Debt service:					
Principal retirement	0.00	0.00	850,000.00	0.00	850,000.00
Interest and fiscal agent charges	0.00	0.00	11,725.00	0.00	11,725.00
Judgments paid	0.00	0.00	0.00	0.00	0.00
Total Expenditures	2,667,996.45	269,106.64	861,725.00	995,242.45	4,794,070.54
Excess of revenue over (under) expenditures	105,419.08	240,879.89	(52,073.17)	(992,514.20)	(698,288.40)
Adjustments to prior year encumbrances	50.00	0.00	0.00	0.00	50.00
Other financing sources (uses):					
Bond sale proceeds	0.00	0.00	0.00	825,000.00	825,000.00
Excess of revenues and other sources over (under) expenditures and other uses	105,469.08	240,879.89	(52,073.17)	(167,514.20)	126,761.60
Beginning fund balance	2,110,352.34	343,372.31	697,454.32	681,655.03	3,832,834.00
Ending fund balance	$ 2,215,821.42	$ 584,252.20	$ 645,381.15	$ 514,140.83	$ 3,959,595.60

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

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	$ 2,110,352.34	$ 2,110,352.34	$ 2,110,352.34
Revenues:			
Local sources	1,146,439.02	1,146,439.02	1,254,116.99
Intermediate sources	104,597.91	104,597.91	111,292.78
State sources	1,218,845.83	1,218,845.83	1,315,450.79
Federal sources	73,840.63	73,840.63	92,554.97
Total Revenue, budgetary basis	2,543,723.39	2,543,723.39	2,773,415.53
Expenditures:			
Instruction	2,955,152.52	2,955,152.52	1,516,500.24
Support services	1,571,127.81	1,571,127.81	1,106,147.41
Non - Instructional services	44,189.58	44,189.58	21,742.98
Capital Outlay	60,000.00	60,000.00	0.00
Other Outlays	23,605.82	23,605.82	23,605.82
Debt Service:			
Principal retirement	0.00	0.00	0.00
Interest and fiscal agent charges	0.00	0.00	0.00
Judgments paid	0.00	0.00	0.00
Total Expenditures, budgetary basis	4,654,075.73	4,654,075.73	2,667,996.45
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	(0.00)	0.00	2,215,771.42
Other financing sources (uses):			
Bond sale proceeds	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	(0.00)	0.00	2,215,771.42
Adjustments to prior year encumbrances	0.00	0.00	50.00
Ending fund balances	$ (0.00)	$ 0.00	$ 2,215,821.42

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

Special Revenue Funds			Debt Service Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ 343,372.31	$ 343,372.31	$ 343,372.31	$ 697,454.32	$ 697,454.32	$ 697,454.32
190,520.21	190,520.21	406,561.73	966,158.18	966,158.18	809,601.28
0.00	0.00	0.00	0.00	0.00	0.00
7,977.47	7,977.47	11,860.46	0.00	0.00	50.55
69,261.01	69,261.01	91,564.34	0.00	0.00	0.00
267,758.69	267,758.69	509,986.53	966,158.18	966,158.18	809,651.83
0.00	0.00	0.00	0.00	0.00	0.00
323,460.09	323,460.09	137,975.60	0.00	0.00	0.00
132,670.91	132,670.91	131,131.04	0.00	0.00	0.00
155,000.00	155,000.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	1,650,000.00	1,650,000.00	850,000.00
0.00	0.00	0.00	13,612.50	13,612.50	11,725.00
0.00	0.00	0.00	0.00	0.00	0.00
611,131.00	611,131.00	269,106.64	1,663,612.50	1,663,612.50	861,725.00
0.00	0.00	584,252.20	0.00	0.00	645,381.15
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	584,252.20	0.00	0.00	645,381.15
0.00	0.00	0.00	0.00	0.00	0.00
$ 0.00	$ 0.00	$ 584,252.20	$ 0.00	$ 0.00	$ 645,381.15

NOTES TO COMBINED FINANCIAL STATEMENTS

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of Faro-Gage Independent School District No. 02 ("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. Reporting Entity

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

The governing body of the District is the board of education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District for financial-reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic — but not the only — criterion for including a potential component unit within the reporting entity is the governing body's 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.

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 three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), 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 funds of the District consist of the Building Fund, Child Nutrition Fund and Gift and Endowment Fund.

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.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries. The District also deposits monies received from the National School Lunch and Breakfast programs into this fund.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Gift and Endowment Fund - The Gift and Endowment Fund receives it assets by way of foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Debt Service Fund - The debt-service fund of the District is the Sinking Fund. It 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 Funds and is used to account for the proceeds of bond sales to be used exclusively for acquiring schools sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District had a Building Bond during the current fiscal year.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

Account Groups

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 Fixed Assets Account Group - Used to account for property, plant and equipment of the District. The District has not maintained the cost of fixed assets purchased in previous years. Thus the general fixed assets account group is not presented.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Account Groups, (Continued)

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. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

Memorandum Only - Total Column

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

C. Basis of Accounting

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 differs significantly from that required by GASB Statement No. 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 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.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when 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.

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 may upon approval by a majority of the electors of the District voting on the question make the advalorem levy, emergency levy, and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for 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

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

Investments — Investments consist of direct obligations of the U.S. government and agencies or certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

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 before October 1. The county treasurer must commence tax collection within 15 days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

Summary of Significant Accounting Policies, (Continued)

Assets, Liability, and Fund Equity, (Continued)

Property Tax Revenues, (Continued)

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.

Fixed Assets and Property, Plant and Equipment - The general fixed assets account group is not presented.

Compensated Absences - The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

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

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

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.

Summary of Significant Accounting Policies, (Continued)

Assets, Liability, and Fund Equity, (Continued)

State Revenues, (Continued)

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

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. No operating transfers or residual equity transfers were reported during fiscal year 2016.

G. Statement of Cash Flows

Since the District currently has no proprietary fund types, the statement of cash flows has not been presented in the fiscal 2016 accompanying financial statements.

2. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. 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.

Cash and Investments, (Continued)

Deposits - The District's cash deposits at June 30, 2016, are categorized to give an indication of the level of risk assumed by the District at year end as follows:

(A) Insured or collateralized with securities held by the District or by its agent in the District's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

(C) Uncollateralized.

	Category			
	(A)	(B)	(C)	Bank Balance
Cash	$ 310,518.66	$ 3,893,523.41	$ 0.00	$ 4,204,042.07
Investments	0.00	0.00	0.00	0.00
Total	$ 310,518.66	$ 3,893,523.41	$ 0.00	$ 4,204,042.07

Investments - The District's investments consist of certificates of deposit or direct obligations of the U.S. government and agencies at June 30, 2016, and are categorized to give an indication of the level of risk assumed by the District.

3. **General Long-Term Debt**

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

General long-term debt of the District consists of bonds payable and capital leases. Obligations for compensated absences and early retirement incentives have not been presented. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

General Long-Term Debt, (Continued)

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

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2016.

	Bonds Payable	Capital Leases	Total
Balance July 1, 2015	$ 1,735,000.00	$ 4,057,500.00	$ 5,792,500.00
Additions	825,000.00	0.00	825,000.00
Retirements	(850,000.00)	(811,500.00)	(1,661,500.00)
Balance June 30, 2016	$ 1,710,000.00	$ 3,246,000.00	$ 4,956,000.00

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

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2014 Building Bonds	0.50%	1/01/16	$ 825,000.00	$ 0.00
Building Bonds 2014	0.70%	11/1/16	825,000.00	825,000.00
Gage 07 Building Bond	4.0%	7/1/17	210,000.00	25,000.00
Gage 12 Combined Bond	1.5%	5/1/17	135,000.00	35,000.00
15 Building Bonds	.875%	10/1/17	825,000.00	825,000.00
Total			$ 2,820,000.00	$ 1,710,000.00

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

Year Ending	Principal	Interest	Total
6/30/2017	$ 860,000.00	$ 14,740.62	$ 874,740.62
6/30/2018	850,000.00	4,109.38	854,109.38
6/30/2019	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00
Thereafter	0.00	0.00	0.00
	$ 1,710,000.00	$ 18,850.00	$ 1,728,850.00

General Long-Term Debt, (Continued)

Interest expense on general long-term debt incurred during the current year totaled $11,725.00.

The District has entered into lease agreements as lessee, that qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the District the ability to terminate the lease agreements at the end of each fiscal year. The District records any current year payments on capital leases as expenditures and records a liability for future lease payment in the general long-term debt account group.

The District voters authorized and approved $4,869,000.00 in Building Bonds. The bond proceeds are to be used for acquiring, constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites within the District. The District has entered into an agreement with the Ellis County Educational Facilities Authority to lease certain real property which in turn will be sub leased to the District. The agreement will be known as Ellis County Educational Facilities Authority Educational Facilities Lease Revenue Bonds (Fargo Public School Project) Series 2014.

A brief description of the outstanding capital leases at June 30, 2016, is set forth below:

	Final Payment	Original Lease	Amount Outstanding
Ellis County Educational Facilities Authority	03/01/20	$ 4,869,000.00	$ 3,246,000.00
Total Capital Lease		$ 4,869,000.00	$ 3,246,000.00

Presented below is a schedule of future minimum lease payments as follows:

Year Ending	Payment	Total
6/30/2017	$ 811,500.00	$ 811,500.00
6/30/2018	811,500.00	811,500.00
6/30/2019	811,500.00	811,500.00
6/30/2020	811,500.00	811,500.00
6/30/2021	0.00	0.00
Thereafter	0.00	0.00
Totals	$ 3,246,000.00	$ 3,246,000.00

4. **Investment Income**

Investment income deposits are receipted as allocated by the Treasurer. School District Funds held by the Treasurer are required to be invested in accordance with Title 70 of the Oklahoma Statutes. Interest income on cash funds totaled $5,935.22.

5. **Employee Retirement System**

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

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

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% effective January 1, 2010 and thereafter. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7.0% of each member's total compensation.

For the year ended June 30, 2016, the total compensation covered by the Teacher Retirement System was $1,582,771.85. The District's contributions to the System for the years ending June 30, 2016, 2015, and 2014 were $152,498.43, $150,528.14, and $127,225.09, respectively.

Employee Retirement System, (Continued)

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 nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2015, is as follows:

Total Pension Benefit Obligation	$20,692,630,888
Actuarial Value of Assets	13,771,884,292
Unfunded Actuarial Accrued Liability	$ 6,920,746,596

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2015. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. 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 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

6. **Health Care Coverage**

During the year ended June 30, 2016, employees of the Fargo-Gage Independent School District No. 02, Oklahoma, were covered by a health insurance plan ("the Plan"). The teachers and support personnel may elect to be covered by the Plan. The Plan was authorized by House Bill 1731, 1988 Oklahoma Legislature (74 O.S. 1988, Supp. §1301-1322) with the Oklahoma State and Education Employers Group Insurance Board.

7. **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.

8. **Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

9. **Surety Bonds**

Treasurer, Minute Clerk, and Secretary are bonded by Western Surety Company, bond number 12730411, for the penal sum of $100,000.00 for the term of July1, 2015, to July 1, 2016.

The district has a position schedule bond with CNA Surety. The bond number is 01321590A and is for the term February 1, 2015, to February 1, 2016 and for the term February 1, 2016, to February 1, 2017. The School Board Clerk, Superintendent/Custodian of Student Activity, the Custodian of Lunch Fund & Encumbrance Clerk are each bonded for the penal sum of $1,000.00. In addition the Superintendent is bonded for the penal sum of $100,000.00.

10. **Subsequent Events**

Management has evaluated subsequent events through September 6, 2016, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

11. **Gage Independent School District No. 39 Annexation**

On April 5, 2016, voters of the Gage Independent School District No. 39 voted to annex into the Fargo Independent School District No. 02, effective April 22, 2016. The following fund balance carryovers were transferred from the Gage Independent School District No. 39 to the Fargo Independent School District No. 02, effective April 22, 2016: $21,907.29 was transferred from the Gage General Fund to the Fargo General Fund, $163,953.62 was transferred from the Gage Building Fund to the Fargo Building Fund, $22,142.31 was transferred from the Gage Child Nutrition Fund to the Fargo Child Nutrition Fund, $27,503.22 was transferred from the Gage Debt Service Fund to the Fargo Debt Service Fund, $13,719.76 was transferred from the Gage Gift & Endowment Fund to the Fargo Gift & Endowment Fund, and $2,728.25 was transferred from the Gage Capital Projects Fund to the Fargo Capital Projects Fund. These transfer amounts are recorded as local revenue sources in their respective funds in the financial statements.

SUPPORTING SCHEDULES

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

COMBINING FINANCIAL STATEMENTS

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

Schedule 4-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Building Fund	Child Nutrition Fund	Gift and Endowment Fund	Totals 2016
ASSETS				
Cash and Investments	$ 553,541.21	$ 58,831.36	$ 13,719.76	$ 626,092.33
Total Assets	$ 553,541.21	$ 58,831.36	$ 13,719.76	$ 626,092.33
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	$ 37,068.46	$ 4,771.67	$ 0.00	$ 41,840.13
Encumbrances	0.00	0.00	0.00	0.00
Total Liabilities	37,068.46	4,771.67	0.00	41,840.13
Total fund balances	516,472.75	54,059.69	13,719.76	584,252.20
Total Liabilities and Fund Balances	$ 553,541.21	$ 58,831.36	$ 13,719.76	$ 626,092.33

Schedule 5-00

FARGO-GAGE INDEPENDENTSCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund	Child Nutrition Fund	Gift and Endowment Fund	Totals 2016
Revenues:				
Local sources	$ 339,734.88	$ 53,107.09	$ 13,719.76	$ 406,561.73
Intermediate sources	0.00	0.00	0.00	0.00
State sources	10.86	11,849.60	0.00	11,860.46
Federal Sources	0.00	91,564.34	0.00	91,564.34
Total Revenues Collected	339,745.74	156,521.03	13,719.76	509,986.53
Expenditures:				
Instruction	0.00	0.00	0.00	0.00
Support services	137,975.60	0.00	0.00	137,975.60
Non - Instructional services	0.00	131,131.04	0.00	131,131.04
Capital Outlay	0.00	0.00		0.00
Other Outlays	0.00	0.00	0.00	0.00
Total Expenditures	137,975.60	131,131.04	0.00	269,106.64
Excess of revenue over (under) expenditures	201,770.14	25,389.99	13,719.76	240,879.89
Adjustments to prior year encumbrances	0.00	0.00	0.00	0.00
Excess of revenue and other sources over (under) expenditures and other uses	201,770.14	25,389.99	13,719.76	240,879.89
Beginning fund balance	314,702.61	28,669.70	0.00	343,372.31
Ending fund balance	$ 516,472.75	$ 54,059.69	$ 13,719.76	$ 584,252.20

Schedule 6-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS (EXCLUDING GIFT & ENDOWMENT FUND)
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	$ 314,702.61	$ 314,702.61	$ 314,702.61	$ 28,669.70	$ 28,669.70	$ 28,669.70
Revenues:						
Local sources	163,757.48	163,757.48	339,734.88	26,762.73	26,762.73	53,107.09
Intermediate sources	0.00	0.00	0.00	0.00	0.00	0.00
State sources	0.00	0.00	10.86	7,977.47	7,977.47	11,849.60
Federal sources	0.00	0.00	0.00	69,261.01	69,261.01	91,564.34
Total Revenue, budgetary basis	163,757.48	163,757.48	339,745.74	104,001.21	104,001.21	156,521.03
Expenditures:						
Instruction	0.00	0.00	0.00	0.00	0.00	0.00
Support services	323,460.09	323,460.09	137,975.60	0.00	0.00	0.00
Non - Instructional services	0.00	0.00	0.00	132,670.91	132,670.91	131,131.04
Capital Outlay	155,000.00	155,000.00	0.00	0.00	0.00	0.00
Other Outlays	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditures, budgetary basis	478,460.09	478,460.09	137,975.60	132,670.91	132,670.91	131,131.04
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	(0.00)	0.00	516,472.75	0.00	0.00	54,059.69
Other financing sources (uses):						
Bond sale proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	(0.00)	0.00	516,472.75	0.00	0.00	54,059.69
Adjustments to prior year encumbrances	0.00	0.00	0.00	0.00	0.00	0.00
Ending fund balances	$ (0.00)	$ 0.00	$ 516,472.75	$ 0.00	$ 0.00	$ 54,059.69

Schedule 7-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - ALL CAPITAL PROJECT FUNDS
JUNE 30, 2016

	Building Bond Fund	Combined Purpose Bond Fund	Totals 2016
ASSETS			
Cash and Investments	$ 511,412.58	$ 2,728.25	$ 514,140.83
Total Assets	$ 511,412.58	$ 2,728.25	$ 514,140.83
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	$ 0.00	$ 0.00	$ 0.00
Encumbrances	0.00	0.00	0.00
Total Liabilities	0.00	0.00	0.00
Total fund balances	511,412.58	2,728.25	514,140.83
Total Liabilities and Fund Balances	$ 511,412.58	$ 2,728.25	$ 514,140.83

Schedule 8-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
ALL CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Bond Fund	Combined Purpose Bond Fund	Totals 2016
Revenues:			
Local sources	$ 0.00	$ 2,728.25	$ 2,728.25
Intermediate sources	0.00	0.00	0.00
State sources	0.00	0.00	0.00
Federal Sources	0.00	0.00	0.00
Total Revenues Collected	0.00	2,728.25	2,728.25
Expenditures:			
Instruction	52,905.65	0.00	52,905.65
Support services	29,193.04	0.00	29,193.04
Non - Instructional services	0.00	0.00	0.00
Capital Outlay	913,143.76	0.00	913,143.76
Other Outlays	0.00	0.00	0.00
Total Expenditures	995,242.45	0.00	995,242.45
Excess of revenue over (under) expenditures	(995,242.45)	2,728.25	(992,514.20)
Adjustments to prior year encumbrances	0.00	0.00	0.00
Other financing sources (uses):			
Bond sale proceeds	825,000.00	0.00	825,000.00
Excess of revenue and other sources over (under) expenditures and other uses	(170,242.45)	2,728.25	(167,514.20)
Beginning fund balance	681,655.03	0.00	681,655.03
Ending fund balance	$ 511,412.58	$ 2,728.25	$ 514,140.83

Schedule 9-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
- REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Fund Activity Fund	Totals 2016
ASSETS		
Cash and Investments	$ 60,518.66	$ 60,518.66
Total Assets	$ 60,518.66	$ 60,518.66
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 0.00	$ 0.00
Due to Others	60,518.66	60,518.66
Total Liabilities	60,518.66	60,518.66
Total fund balances	0.00	0.00
Total Liabilities and Fund Balances	$ 60,518.66	$ 60,518.66

Schedule 10-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
- REGULATORY BASIS -
ALL AGENCY FUNDS
July 1, 2015 through June 30, 2016

ASSETS ACTIVITIES	Beginning Balance As of 7-1-15	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of 6-30-16
Miscellaneous	$ 70.13	$ 1,027.07	$ 5.46	$ 712.00	$ 390.66
Athletics	6,204.01	26,235.49	853.85	23,240.96	10,052.39
FFA	4,491.69	25,772.50	45.00	21,236.24	9,072.95
FCCLA (FHA)	240.79	0.00	0.00	0.00	240.79
Class of 2017	0.00	10,630.49	100.00	8,827.66	1,902.83
Class of 2018	0.00	207.00	0.00	0.00	207.00
Scholarship Fund	1,859.97	430.40	0.00	0.00	2,290.37
Class of 2019	0.00	84.15	0.00	0.00	84.15
Class of 2016	2,474.98	168.00	0.00	2,642.98	0.00
Yearbook	9,735.08	6,073.81	0.00	3,625.87	12,183.02
HS Cheerleaders	107.11	0.00	0.00	0.00	107.11
JH Cheerleaders	2,199.68	0.00	0.00	0.00	2,199.68
Honor Society/Beta Club	2,625.83	7,234.00	853.85	9,480.55	1,233.13
Student Council	1,300.54	4,079.52	853.85	3,641.24	2,592.67
Library	724.26	2,244.73	0.00	2,108.23	860.76
Elementary K-6	227.44	7,686.50	0.00	1,954.72	5,959.22
FCA	102.42	1,640.00	0.00	1,640.00	102.42
General Fund Refund	0.00	0.00	69.14	69.14	0.00
HS Teachers	3,299.59	200.00	0.00	215.76	3,283.83
Petty Cash	0.00	0.00	0.00	0.00	0.00
TSA	0.00	0.00	0.00	0.00	0.00
Music Club	749.29	625.00	1,707.70	1,777.79	1,304.20
BPA	1,098.02	8,519.00	(21.00)	8,091.94	1,504.08
Softball Field/Ag Farm	90.70	0.00	0.00	0.00	90.70
Basketball Concession	0.00	5,723.99	(4,269.25)	1,454.74	0.00
Gage Transfer Non-Match Acct	0.00	4,856.70	0.00	0.00	4,856.70
TOTAL ASSETS	$ 37,601.53	$ 113,438.35	$ 198.60	$ 90,719.82	$ 60,518.66
LIABILITIES					
Due to Student Groups	$ 37,601.53	$ 113,438.35	$ 198.60	$ 90,719.82	$ 60,518.66
TOTAL LIABILITIES	$ 37,601.53	$ 113,438.35	$ 198.60	$ 90,719.82	$ 60,518.66

SUPPLEMENTARY INFORMATION

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

Schedule 11-00

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at July 1, 2015	Receipts	Expenditures	Ending Balance at June 30, 2016
U.S. Department of Education Direct Programs							
2015-2016 Programs							
Title VI, Subpart 1, REAP Award #S358A142328	84.358	588	$ 18,283.00	$ 0.00	$ 16,362.00	$ 16,362.00	$ 0.00
Passed Through State Department of Education							
2014-2015 Programs							
Title II, Part A	84.367	586	0.00	(331.30)	331.30	0.00	0.00
2015-2016 Programs							
Title I - LEA	84.010	511	67,236.46	0.00	67,157.22	67,157.22	0.00
Title II, Part A	84.367	586	8,704.45	0.00	8,704.45	8,704.45	0.00
Total Department of Education			94,223.91	(331.30)	92,554.97	92,223.67	0.00
Passed Through State Department of Education							
Cash Assistance:							
National School Lunch Program	10.555	763	65,533.40	0.00	65,533.40	65,533.40	0.00
School Breakfast Program	10.553	764	26,030.94	0.00	26,030.94	26,030.94	0.00
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555	n/a	8,437.36	0.00	8,437.36	8,437.36	0.00
Total USDA			100,001.70	0.00	100,001.70	100,001.70	0.00
TOTAL FEDERAL ASSISTANCE			$ 194,225.61	$ (331.30)	$ 192,556.67	$ 192,225.37	$ 0.00

Note - The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

OF

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA

BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
FAX 580-772-3085

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

To the Honorable Board of Education
Fargo-Gage Independent School District No. 02
Fargo, Ellis 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 fund type and account group financial statements-regulatory basis of Fargo-Gage Independent School District No. 02, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Fargo-Gage Independent School District No. 02, Oklahoma's basic financial statements, and have issued our report thereon dated September 6, 2016. As stated in our report, our opinion was adverse with respect to the financial statements not being prepared in conformity with accounting principles generally accepted in the United States of America because the presentation followed the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education. In addition, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation with respect to the financial statements being prepared following the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fargo-Gage Independent School District No. 02, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 Fargo-Gage Independent School District No. 02, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Fargo-Gage Independent School District No. 02, Oklahoma, in a separate statement of audit comments included with this report.

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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
September 6, 2016

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2016

CURRENT YEAR

2016-001 During our audit of the local lunch collections, we found that money collected was not being receipted timely. In addition, monies were not being deposited to the bank on a timely basis. Monies were only taken to the bank once or twice per month. Per 70 O.S. 5-129, state law requires that funds be deposited daily when in excess of $100.00. Also, there was no segregation of duties between collecting, receipting, recording and reporting, and depositing the monies. Duties should be segregated to the extent possible.

2016-002 During our audit of the General Fund, Building Fund, and Activity Fund we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition prior to payment being made to any vendor.

PRIOR YEAR

None Reported

Fargo-Gage Public Schools

PO Box 200
Fargo, OK 73840

September 7, 2016

To Whom It May Concern:

In response to findings involving the internal control structure and operations of Fargo Public Schools District I002 for year ending June 30, 2016.

2016-001 Finding

During our audit of the local lunch collections, we found that money collected was not being receipted timely. In addition, monies were not being deposited to the bank on a timely basis. Monies were only taken to the bank once or twice per month. Per 70 O.S. 5-129, state law requires that funds be deposited daily when in excess of $100.00. Also, there was no segregation of duties between collecting, receipting, recording and reporting, and depositing the monies. Duties should be segregated to the extent possible.

2016-001 Response to Audit Comments

Procedures have been put in place to receipt and deposit monies collected in accordance to state law. Duties have been segregated between office staff members so that no one person is responsible for collecting, receipting, recording and depositing monies collected. The administration will monitor the process to confirm compliance is being met.

2016-002 Finding

During our audit of the General Fund, Building Fund, and Activity Fund we noted instances where invoices were not signed to verify receipt of goods and services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition prior to payment being made to any vendor.

2016-002 Response to Audit Comments

Staff members responsible for receiving goods have been instructed on proper verification procedures. All invoices, statements or delivery tickets will be signed to verify receipt of goods or services.

Sincerely,

Mike Jones
Superintendent

FARGO-GAGE INDEPENDENT SCHOOL DISTRICT NO. 02
ELLIS COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 THROUGH JUNE 30, 2016

State of Oklahoma)
) ss
County of Custer)

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 Fargo-Gage Independent School District No. 02, Oklahoma, for the audit year 2015-2016.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

By Rick Miller

Subscribed and sworn to before me this 8th day of September, 2016.

Patty Klein
NOTARY PUBLIC

PATTY KLEIN NOTARY PUBLIC #07007593 EXP. 8-9-19 IN AND FOR STATE OF OKLAHOMA CUSTER COUNTY