

Zaneis School District No. CO72
Carter County, Oklahoma

Financial Statements
Year-End June 30, 2016

RHJ

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma

School District Officials
July 01, 2015 to June 30, 2016

Board of Education

President	Buddy Withers
Vice-President	Joe Don Stewart
Member	Michael Phelps

Clerk of Board of Education

Michael Phelps

School District Treasurer

Beth Billingsley

Administrative Principal of School

Ryan Cole

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Carter County, Oklahoma
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Carter County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Zaneis School District No. CO72
Wilson, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements of Zaneis School District No. CO72, Carter 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 of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we

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express no such opinion. An audit also includes evaluating the appropriateness of 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 Zaneis School District No. CO72, Carter 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 Zaneis School District No. CO72, Carter 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 Zaneis School District No. CO72, Carter 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 Zaneis School District No. CO72, Carter County, Oklahoma financial

statements as a whole. The accompanying Combining Schedules of Special Revenue Fund Financial Statements – Regulatory Basis, 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 Schedules of Special Revenue Fund Financial Statements – Regulatory Basis, Combining Statement of Changes in Cash Balances – Regulatory Basis – Activity Funds, 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 supplemental 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 April 3, 2017, on our consideration of Zaneis School District No. CO72, Carter 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 Zaneis School District No. CO72, Carter County, Oklahoma’s internal control over financial reporting and compliance.



Ardmore, Oklahoma
April 3, 2017

Zaneis School District No. CO72
Carter County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Equity
Regulatory Basis – All Governmental Fund Types and Account Groups
June 30, 2016

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	Total (memorandum only - Note 1)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>June 30, 2016</u>
ASSETS				
Cash	\$ 919,471	\$ 409,888	\$ 61,114	\$ 1,390,473
Total Assets	<u>\$ 919,471</u>	<u>\$ 409,888</u>	<u>\$ 61,114</u>	<u>\$ 1,390,473</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants payable	\$ 155,355	\$ 19,866	\$ -	\$ 175,221
Due to others	-	-	61,114	61,114
Total Liabilities	<u>155,355</u>	<u>19,866</u>	<u>61,114</u>	<u>236,335</u>
Fund Equity:				
Unreserved:				
Undesignated	764,116	390,022	-	1,154,138
Total Cash Fund Balances	<u>764,116</u>	<u>390,022</u>	<u>-</u>	<u>1,154,138</u>
Total Liabilities and Fund Equity	<u>\$ 919,471</u>	<u>\$ 409,888</u>	<u>\$ 61,114</u>	<u>\$ 1,390,473</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances

Regulatory Basis – All Governmental Fund Types

For the Year Ended June 30, 2016

	<u>Governmental Fund Types</u>		Total (memorandum only - Note 1) June 30, 2016
	<u>General</u>	<u>Special Revenue</u>	
Revenues collected:			
Local sources	\$ 373,348	\$ 442,700	\$ 816,048
Intermediate sources	58,977	-	58,977
State sources	1,214,749	89,968	1,304,717
Federal sources	141,134	134,721	275,855
Total Revenues Collected	<u>1,788,208</u>	<u>667,389</u>	<u>2,455,597</u>
Expenditures paid:			
Instruction	1,215,153	58,902	1,274,055
Support services	581,784	13,275	595,059
Non-Instructional services	514	200,079	200,593
Capital outlay	-	-	-
Other outlays	-	346,638	346,638
Total expenditures paid	<u>1,797,451</u>	<u>618,894</u>	<u>2,416,345</u>
Excess of revenues collected over (under) expenditures paid	(9,243)	48,495	39,252
Cash fund balances, beginning of year	<u>773,359</u>	<u>341,527</u>	<u>1,114,886</u>
Cash fund balances, end of year	<u>\$ 764,116</u>	<u>\$ 390,022</u>	<u>\$ 1,154,138</u>

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

Zaneis School District No. CO72

Carter 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				Building and Child Nutrition Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 773,359	\$ 773,359	\$ 773,359	\$ -	\$ 230,703	\$ 230,703	\$ 230,703	\$ -
Revenues collected:								
Local sources	330,850	330,850	373,348	42,498	79,392	426,030	442,700	16,670
Intermediate sources	60,500	60,500	58,977	(1,523)	-	-	-	-
State sources	1,195,282	1,195,282	1,214,749	19,467	22,373	22,373	22,453	80
Federal sources	135,784	135,784	141,134	5,350	119,680	119,680	134,721	15,041
Total Revenues Collected	<u>1,722,416</u>	<u>1,722,416</u>	<u>1,788,208</u>	<u>65,792</u>	<u>221,445</u>	<u>568,083</u>	<u>599,874</u>	<u>31,791</u>
Expenditures paid:								
Instruction	1,913,477	1,913,477	1,215,153	698,324	-	-	-	-
Support services	581,784	581,784	581,784	-	-	-	13,275	(13,275)
Non-Instructional services	514	514	514	-	238,204	238,204	200,079	38,125
Capital outlay	-	-	-	-	-	-	-	-
Other outlays	-	-	-	-	213,944	560,582	346,638	213,944
Total Expenditures paid	<u>2,495,775</u>	<u>2,495,775</u>	<u>1,797,451</u>	<u>698,324</u>	<u>452,148</u>	<u>798,786</u>	<u>559,992</u>	<u>238,794</u>
Excess of revenues collected over (under) expenditures paid	(773,359)	(773,359)	(9,243)	764,116	(230,703)	(230,703)	39,882	270,585
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764,116</u>	<u>\$ 764,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,585</u>	<u>\$ 270,585</u>
Reconciliation between Building and Child Nutrition Funds Budgetary Comparison Schedule and Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances -- Special Revenues								
End cash fund balances from Budgetary Comparison Schedule:							\$ 270,585	
Nonappropriated fund: County Sales Tax Fund Cash fund balance:							<u>119,437</u>	
End cash fund balance per Statement of Revenues Collected, Expenditures Paid and changes in Fund balances - Special Revenues							<u>\$ 390,022</u>	

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

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

The basic financial statements of the Zaneis School District, CO72, Carter 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 elected members. The appointed administrative principal 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.

Zaneis School District No. CO72
Carter 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, Child Nutrition Fund, and Municipal Tax 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. The Municipal Sales Tax Fund consists of monies derived from a county sales tax collected on behalf of the school district for purposes of technology equipment and instruction and classroom materials.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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. The District does not report any account groups.

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.

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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation (continued)

- 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 \$10,805 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$12,126 directly to the teacher retirement fund on behalf of the District's employees.

D. Budgets and Budgetary Accounting

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

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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Assets Liabilities and Fund Equity

Investments – The District’s investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits 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 all amounts not covered by FDIC insurance.

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.

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.

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

Zaneis School District No. CO72
Carter 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 69% 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

2. Cash (continued)

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.

3. 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 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2016

3. Employee Retirement System (continued)

- 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.

Funding Policy – Under the System, contributions are made by the District, the State of Oklahoma and participating employees. Participation is required for all teachers and other certified staff and is options for all other employees of public education institutions who work at least 20 hours per week.

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 \$12,126 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 were \$99,254.

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 \$84,432.

Zaneis School District No. CO72
 Carter County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

3. Employee Retirement System (continued)

Pension Liability and Pension Expense

At June 30, 2016, the District’s proportionate share of the net pension liability was \$1,443,363. 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 0.02365538%, which was a 0.03144299% increase of the proportion measured as of June 30, 2014.

For the year ended June 30 2016, the District had pension expense of \$84,870.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.50%	6.60%
Domestic Equity	57.50%	6.80%
Private Equity	5.00%	7.90%
Real Estate	7.00%	5.50%
Limited Partnerships	7.00%	7.90%
	100.00%	

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.

Zaneis School District No. CO72
 Carter County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2016

3. Employee Retirement System (continued)

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 (8.00%)	1% Increase (9.00%)
District's Proportionate share of the net pension liability	<u>\$ 1,995,299</u>	<u>\$ 1,443,363</u>	<u>\$ 979,435</u>

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/>.

4. Contingencies

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

5. Risk Management

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

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Special Revenue Funds
June 30, 2016

	Building Fund	Child Nutrition Fund	County Sales Tax Fund	Total
<u>ASSETS</u>				
Cash	\$ 210,929	\$ 79,522	\$ 119,437	\$ 409,888
Total Assets	\$ 210,929	\$ 79,522	\$ 119,437	\$ 409,888
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 5,900	\$ 13,966	\$ -	\$ 19,866
Total Liabilities	5,900	13,966	-	19,866
 Fund Equity:				
Unreserved:				
Undesignated	205,029	65,556	119,437	390,022
Total Cash Fund Balances	205,029	65,556	119,437	390,022
Total Liabilities and Fund Equity	\$ 210,929	\$ 79,522	\$ 119,437	\$ 409,888

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental 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>County Sales Tax Fund</u>	<u>Total</u>
Revenues collected:				
Local sources	\$ 396,630	\$ 46,070	\$ -	\$ 442,700
State Sources	-	22,453	67,515	89,968
Federal Sources	-	134,721	-	134,721
Total Revenues Collected	<u>396,630</u>	<u>203,244</u>	<u>67,515</u>	<u>667,389</u>
Expenditures paid:				
Instructional Services	-	-	58,902	58,902
Support Services	13,275	-	-	13,275
Non-Instructional Services	-	200,079	-	200,079
Capital outlay	-	-	-	-
Other Outlays	346,638	-	-	346,638
Total expenditures paid	<u>359,913</u>	<u>200,079</u>	<u>58,902</u>	<u>559,992</u>
Excess of revenues collected over (under) expenditures paid	<u>36,717</u>	<u>3,165</u>	<u>8,613</u>	<u>48,495</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	36,717	3,165	8,613	48,495
Cash fund balances, beginning of year	<u>168,312</u>	<u>62,391</u>	<u>110,824</u>	<u>341,527</u>
Cash fund balances, end of year	<u>\$ 205,029</u>	<u>\$ 65,556</u>	<u>\$ 119,437</u>	<u>\$ 390,022</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
Building and Child Nutrition 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	\$ 168,312	\$ 168,312	\$ 168,312	\$ 62,391	\$ 62,391	\$ 62,391	\$ 230,703	\$ 230,703	\$ 230,703
Revenues collected:									
Local sources	45,632	392,270	396,630	33,760	33,760	46,070	79,392	426,030	442,700
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	22,373	22,373	22,453	22,373	22,373	22,453
Federal sources	-	-	-	119,680	119,680	134,721	119,680	119,680	134,721
Total Revenues Collected	<u>45,632</u>	<u>392,270</u>	<u>396,630</u>	<u>175,813</u>	<u>175,813</u>	<u>203,244</u>	<u>221,445</u>	<u>568,083</u>	<u>599,874</u>
Expenditures paid:									
Support Services	-	-	13,275	-	-	-	-	-	13,275
Non-Instructional Services	-	-	-	238,204	238,204	200,079	238,204	238,204	200,079
Capital outlay	-	-	-	-	-	-	-	-	-
Other outlays	213,944	560,582	346,638	-	-	-	213,944	560,582	346,638
Total expenditures paid	<u>213,944</u>	<u>560,582</u>	<u>359,913</u>	<u>238,204</u>	<u>238,204</u>	<u>200,079</u>	<u>452,148</u>	<u>798,786</u>	<u>559,992</u>
Excess of revenues collected over (under) expenditures paid	<u>(168,312)</u>	<u>(168,312)</u>	<u>36,717</u>	<u>(62,391)</u>	<u>(62,391)</u>	<u>3,165</u>	<u>(230,703)</u>	<u>(230,703)</u>	<u>39,882</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,585</u>

Zaneis School District No. CO72
 Carter County, Oklahoma
 Supplemental Schedule
 Combining Statement of Changes in Cash Balances – Regulatory Basis
 Activity Funds
 For the Year Ended June 30, 2016

	<u>BEGINNING BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING BALANCE</u>
Annual	\$ 8,436	\$ 4,484	\$ 5,680	\$ 7,240
Athletics	3,301	1,690	1,145	3,846
Booster Club	39,746	15,881	13,153	42,473
Extended Care	1,541	854	1,034	1,361
Interest	177	31	-	209
Petty Cash	-	514	514	-
Beverage / Eight Grade	6,599	4,481	5,095	5,985
	<u>\$ 59,800</u>	<u>\$ 27,935</u>	<u>\$ 26,621</u>	<u>\$ 61,114</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2015</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2016</u>
U.S. Dept. of Education						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 26,629	\$ 26,629	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	26,836	26,836	-
			<u>-</u>	<u>53,465</u>	<u>53,465</u>	<u>-</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	81,489	81,489	-
Title II Part A - REAP	84.367	586	-	6,180	6,180	-
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 141,134</u>	<u>\$ 141,134</u>	<u>\$ -</u>
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 103,972	\$ 103,972	\$ -
School Breakfast Program	10.553	764	-	30,749	30,749	-
Child Nutrition Cluster Cash Assistance			<u>-</u>	<u>134,721</u>	<u>134,721</u>	<u>-</u>
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance						
National School Lunch Program -- Commodities	10.555		-	10,805	10,805	-
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 145,526</u>	<u>\$ 145,526</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 286,660</u>	<u>\$ 286,660</u>	<u>\$ -</u>

Zaneis School District No. C072
Carter County, Oklahoma
Supplemental Schedule
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Zaneis School District No. C072, Carter 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 Zaneis School District No. C072, Carter County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Zaneis School District No. C072, Carter County, Oklahoma.

Note 2: 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 3: Indirect Cost Rate

Zaneis School District No. C072, Carter County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

Zaneis School District No. C072, Carter 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
Zaneis School District No. CO72
Wilson, 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 Zaneis School District No. CO72, Carter County Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Zaneis School District No. CO72, Carter County Oklahoma's regulatory financial statements and have issued our report thereon dated April 3, 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 Zaneis School District No. CO72 Carter 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 Zaneis School District No. CO72 Carter County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control.

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as item 2016-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Zaneis School District No. CO72, Carter County Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-002.

Zaneis School District No. CO72, Carter County Oklahoma's Response to Findings

Zaneis School District No. CO72, Carter County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Zaneis School District No. CO72, Carter 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

April 3, 2017

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2016

2016-001 Financial Reporting

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.

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.

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 Activity Funds Receipts

Criteria: All Monies received by district should be documented by pre-numbered receipt, list, or ticket reconciliation and deposited within one business day.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2016

Condition: District deposits were not made timely and teacher receipts did not agree to financial secretary receipts.

Context: 2 of the 25 receipts tested were not deposited timely. 1 of the 25 receipts tested the teacher receipt did not agree in total to the financial secretary receipt.

Cause: Failure to follow state requirements.

Effect: Lack of compliance with State requirements and district procedures.

Recommendation: We recommend that procedures be strengthened current procedures for reconciling activity funds.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to improve compliance in this area.

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter 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.

Recommendation: The Auditor 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.

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

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2016

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2015 to July 1, 2016.

The superintendent is bonded by the Western Surety Company, bond number 61372523, for the penal sum of \$100,000 for the term of July 1, 2015 to July 1, 2016.

The lunch fund and activity fund custodian is bonded by Western Surety Company, bond number 70129280, for the penal sum of \$1,000 for the term July 1, 2015 to July 1, 2016.

The encumbrance and minutes clerk is bonded by Western Surety Company, bond number 69377777, for the penal sum of \$1,000 for the term August 5, 2015 to August 5, 2016.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Accountant's Professional Liability Insurance (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 Zaneis School District No. CO72 for the audit year 2015-2016.

RAHHAL HENDERSON JOHNSON, PLLC

Mary E. Johnson

BY: _____
Authorized Agent

Subscribed and sworn to before me on this 4th day of April, 2017.

Brenda Richardson

Notary Public

Commission Number: _____

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

