

Zaneis School District No. CO72
Carter County, Oklahoma

Financial Statements
Year-End June 30, 2014

RHJ

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma

School District Officials
July 01, 2013 to June 30, 2014

Board of Education

President	Lindsay Southward
Vice-President	Michael Phelps
Member	Buddy Withers

Clerk of Board of Education

Buddy Withers

School District Treasurer

Beth Billingsley

Administrative Principal of School

Ryan Cole

Zaneis School District No. CO72
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, 2014, 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 involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

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of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As discussed in Note 1, the financial statements are prepared by 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, 2014, 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, 2014, 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 financial statements, combining statement

of changes in cash balances – regulatory basis – activity funds, and schedule of expenditures of federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2015, 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 7, 2015

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, 2014

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	Total (memorandum only - Note 1)
	General	Special Revenue	Trust and Agency	June 30, 2013
ASSETS				
Cash	\$ 900,541	\$ 271,613	\$ 60,904	\$ 1,233,058
Total Assets	<u>\$ 900,541</u>	<u>\$ 271,613</u>	<u>\$ 60,904</u>	<u>\$ 1,233,058</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants payable	\$ 220,595	\$ 10,038	\$ -	\$ 230,633
Due to others	-	-	60,904	60,904
Total Liabilities	<u>220,595</u>	<u>10,038</u>	<u>60,904</u>	<u>291,537</u>
Fund Equity:				
Unreserved:				
Undesignated	679,946	261,575	-	941,521
Total Cash Fund Balances	<u>679,946</u>	<u>261,575</u>	<u>-</u>	<u>941,521</u>
Total Liabilities and Fund Equity	<u>\$ 900,541</u>	<u>\$ 271,613</u>	<u>\$ 60,904</u>	<u>\$ 1,233,058</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, 2014

	<u>Governmental Fund Types</u>		Total
	<u>General</u>	<u>Special Revenue</u>	(memorandum only - Note 1) June 30, 2014
Revenues collected:			
Local sources	\$ 243,489	\$ 81,709	\$ 325,198
Intermediate sources	50,783	-	50,783
State sources	1,235,930	101,757	1,337,687
Federal sources	139,283	139,149	278,432
Total Revenues Collected	<u>1,669,485</u>	<u>322,615</u>	<u>1,992,100</u>
Expenditures paid:			
Instruction	1,059,550	-	1,059,550
Support services	718,179	28,170	746,349
Non-Instructional services	200	206,155	206,355
Capital outlay	-	10,300	10,300
Other outlays	-	22,265	22,265
Total expenditures paid	<u>1,777,929</u>	<u>266,890</u>	<u>2,044,819</u>
Excess of revenues collected over (under) expenditures paid	(108,444)	55,725	(52,719)
Cash fund balances, beginning of year	<u>788,390</u>	<u>205,850</u>	<u>994,240</u>
Cash fund balances, end of year	<u>\$ 679,946</u>	<u>\$ 261,575</u>	<u>\$ 941,521</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, 2014

	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	\$ 788,390	\$ 788,390	\$ 788,390	\$ -	\$ 205,849	\$ 205,849	\$ 205,850	\$ 1
Revenues collected:								
Local sources	241,952	241,952	243,489	1,537	72,203	72,203	81,709	9,506
Intermediate sources	56,744	56,744	50,783	(5,961)	-	-	-	-
State sources	1,318,110	1,318,110	1,235,930	(82,180)	18,910	18,910	101,757	82,847
Federal sources	131,731	131,731	139,283	7,552	102,590	102,590	139,149	36,559
Total Revenues Collected	<u>1,748,537</u>	<u>1,748,537</u>	<u>1,669,485</u>	<u>(79,052)</u>	<u>193,703</u>	<u>193,703</u>	<u>322,615</u>	<u>128,912</u>
Expenditures paid:								
Instruction	1,818,549	1,818,549	1,059,550	758,999	-	-	-	-
Support services	718,178	718,178	718,179	(1)	-	-	28,170	(28,170)
Non-Instructional services	200	200	200	-	225,099	225,099	206,155	18,944
Capital outlay	-	-	-	-	10,300	10,300	10,300	-
Other outlays	-	-	-	-	-	-	22,265	(22,265)
Total Expenditures paid	<u>2,536,927</u>	<u>2,536,927</u>	<u>1,777,929</u>	<u>758,998</u>	<u>235,399</u>	<u>235,399</u>	<u>266,890</u>	<u>(31,491)</u>
Excess of revenues collected over (under) expenditures paid	(788,390)	(788,390)	(108,444)	679,946	(41,696)	(41,696)	55,725	97,421
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,946</u>	<u>\$ 679,946</u>	<u>\$ 164,153</u>	<u>\$ 164,153</u>	<u>\$ 261,575</u>	<u>\$ 97,421</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, 2014

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 an other 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, 2014

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, 2014

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, 2014

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 \$8,980 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$10,495 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, 2014

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, 2014 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, 2014

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 74% of the District's General Fund revenue comes from state sources.

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

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

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

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

2. Cash

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2014, 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2014

3. Employee Retirement System

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152.

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates are determined by Oklahoma Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The required contribution for the participating members is 7% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions. For the 2014 fiscal year, the district contributed 9.5% of covered salaries plus covered fringe benefits. In addition, if a member's salary is paid in part by federal funds, the contribution rate for that portion of salary must be matched by the District at a rate of 8.25%.

The District's total contributions for 2014, 2013 and 2012 were approximately \$89,867, \$87,736, and \$93,828, respectively equal to the required contribution for the year. These contributions include the District's statutory contribution and the federal match.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Plan information is available from www.ok.gov/TRS for all plan information.

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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2014

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, 2014

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Municipal Tax Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 145,845	\$ 64,372	\$ 61,396	\$ 271,613
Total Assets	<u>\$ 145,845</u>	<u>\$ 64,372</u>	<u>\$ 61,396</u>	<u>\$ 271,613</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ -	\$ 3,619	\$ 6,419	\$ 10,038
Total Liabilities	<u>-</u>	<u>3,619</u>	<u>6,419</u>	<u>10,038</u>
Fund Equity:				
Unreserved:				
Undesignated	145,845	60,753	54,977	261,575
Total Cash Fund Balances	<u>145,845</u>	<u>60,753</u>	<u>54,977</u>	<u>261,575</u>
 Total Liabilities and Fund Equity	 <u>\$ 145,845</u>	 <u>\$ 64,372</u>	 <u>\$ 61,396</u>	 <u>\$ 271,613</u>

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, 2014

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Municipal Tax Fund</u>	<u>Total</u>
Revenues collected:				
Local sources	\$ 40,935	\$ 40,774	\$ -	\$ 81,709
State Sources	-	22,145	79,612	101,757
Federal Sources	-	139,149	-	139,149
Total Revenues Collected	<u>40,935</u>	<u>202,068</u>	<u>79,612</u>	<u>322,615</u>
Expenditures paid:				
Support Services	3,535	-	24,635	28,170
Non-Instructional Services	-	206,155	-	206,155
Capital outlay	10,300	-	-	10,300
Other Outlays	22,265	-	-	22,265
Total expenditures paid	<u>36,100</u>	<u>206,155</u>	<u>24,635</u>	<u>266,890</u>
Excess of revenues collected over (under) expenditures paid	<u>4,835</u>	<u>(4,087)</u>	<u>54,977</u>	<u>55,725</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	4,835	(4,087)	54,977	55,725
Cash fund balances, beginning of year	<u>141,010</u>	<u>64,840</u>	<u>-</u>	<u>205,850</u>
Cash fund balances, end of year	<u>\$ 145,845</u>	<u>\$ 60,753</u>	<u>\$ 54,977</u>	<u>\$ 261,575</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, 2014

	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	\$ 141,010	\$ 141,010	\$ 141,010	\$ 64,839	\$ 64,839	\$ 64,840	\$ 205,849	\$ 205,849	\$ 205,850
Revenues collected:									
Local sources	33,443.00	33,443.00	40,935	38,760	38,760	40,774	72,203	72,203	81,709
State sources	-	-	-	18,910	18,910	22,145	18,910	18,910	22,145
Federal sources	-	-	-	102,590	102,590	139,149	102,590	102,590	139,149
Total Revenues Collected	<u>33,443</u>	<u>33,443</u>	<u>40,935</u>	<u>160,260</u>	<u>160,260</u>	<u>202,068</u>	<u>193,703</u>	<u>193,703</u>	<u>243,003</u>
Expenditures paid:									
Support Services	-	-	3,535	-	-	-	-	-	3,535
Non-Instructional Services	-	-	-	225,099	225,099	206,155	225,099	225,099	206,155
Capital outlay	10,300	10,300	10,300	-	-	-	10,300	10,300	10,300
Other outlays	-	-	22,265	-	-	-	-	-	22,265
Total expenditures paid	<u>10,300</u>	<u>10,300</u>	<u>36,100</u>	<u>225,099</u>	<u>225,099</u>	<u>206,155</u>	<u>235,399</u>	<u>235,399</u>	<u>242,255</u>
Excess of revenues collected over (under) expenditures paid	<u>23,143</u>	<u>23,143</u>	<u>4,835</u>	<u>(64,839)</u>	<u>(64,839)</u>	<u>(4,087)</u>	<u>(41,696)</u>	<u>(41,696)</u>	<u>748</u>
Ending cash balances	<u>\$ 164,153.00</u>	<u>\$ 164,153.00</u>	<u>\$ 145,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,753</u>	<u>\$ 164,153.00</u>	<u>\$ 164,153.00</u>	<u>\$ 206,598</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, 2014

	<u>BEGINNING</u> <u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING</u> <u>BALANCE</u>
Annual	\$ 8,241	\$ 9,100	\$ 7,651	\$ 9,690
Athletics	3,510	1,175	1,490	3,195
Booster Club	38,713	12,262	11,616	39,360
Extended Care	2,762	836	1,739	1,859
Interest	289	31	50	269
Petty Cash	-	586	586	-
Beverage / Eight Grade	6,712	4,494	4,676	6,530
	<u>\$ 60,228</u>	<u>\$ 28,483</u>	<u>\$ 27,807</u>	<u>\$ 60,904</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2013</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2014</u>
U.S. Dept. of Education						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 24,910	\$ 24,910	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	26,654	26,654	-
			<u>-</u>	<u>51,564</u>	<u>51,564</u>	<u>-</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	81,526	81,526	-
Title II Part A - REAP	84.367	586	-	6,193	6,193	-
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 139,283</u>	<u>\$ 139,283</u>	<u>\$ -</u>
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 103,490	\$ 103,490	\$ -
School Breakfast Program	10.553	764	-	35,659	35,659	-
Child Nutrition Cluster Cash Assistance			<u>-</u>	<u>139,149</u>	<u>139,149</u>	<u>-</u>
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance						
National School Lunch Program -- Commodities	10.555		-	8,980	8,980	-
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 148,129</u>	<u>\$ 148,129</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 287,412</u>	<u>\$ 287,412</u>	<u>\$ -</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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. The schedule is prepared using the cash receipts and disbursement basis. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received. Expenditures include amounts claimed as indirect costs in applicable.



**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, 2014, and the related notes to the financial statements which collectively comprise the Zaneis School District No. CO72, Carter County Oklahoma’s regulatory financial statements and have issued our report thereon dated April 7, 2015. 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’ 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 items 2014-001 and 2014-002.

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 responses as item 2014-003.

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.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma

April 7, 2015

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter County, Oklahoma

Summary of Prior Year Findings

For the Year Ended June 30, 2014

2014-001 Financial Reporting

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

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

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

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

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

*Views of Responsible Officials
and Planned Corrective*

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

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter County, Oklahoma

Summary of Prior Year Findings

For the Year Ended June 30, 2014

2014-002 Segregation of Duties

Condition: Funds collected are not all supported by prenumbered receipts. These transactions are all handled by the treasurer.

Criteria: A proper system of internal controls provides adequate segregation of duties between the initial receipt, deposit and reconciliation of cash receipts

Cause: Failure establish procedures that provide adequate segregation of duties over cash receipts and deposits.

Context: Responsibilities of the treasurer include receipting, depositing and reconciling cash accounts which is a segregation of duties.

Effect: Potential for material misstatement due to fraud or error due to lack of internal controls.

Recommendation: We recommend the District establish procedures to provide adequate segregation of duties over cash receipts.

*Views of Responsible Officials
and Planned Corrective*

Action: The District has created new procedures to insure that additional people are involved in the receipt processes as well as provide additional review of cash reconciliations monthly.

2014-003 Child Nutrition 3-Month Carryover Balance

Condition: District has exceeded their three month carryover balance allowed in the Child Nutrition Program.

Criteria: USDA Regulation (7CFR§210.14[b]) requires a school food service authority to limit its net resources to an amount that does not exceed three month average expenditures for its nonprofit school service fund.

Cause: Failure to monitor the child nutrition carryover.

Context: During testing of the Child Nutrition three month carryover balance, it was determined that the district exceeded the limit.

Effect: Out of compliance with USDA regulation.

Recommendation: We recommend the District monitor the Child Nutrition fund balance throughout the year to control compliance with regulations.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will create a procedure to monitor fund balance throughout the year.

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter County, Oklahoma

Summary of Prior Year Findings

For the Year Ended June 30, 2014

2013-1 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 2014-001

2013-2 Segregation of Duties

Condition: Funds collected are not all supported by prenumbered receipts. These transactions are all handled by the treasurer.

Recommendation: We recommended the District establish procedures to provide adequate segregation of duties over cash receipts.

Current Status: Condition still exist, see current year finding 2014-002

2013-3 Retirement

Condition: Federal Match of teacher retirement contributions were no computed on all salaries paid with federal funds.

Recommendation: We recommended the District Implement controls to monitor the amount of federal match retirement being paid is reasonable with the amount of federal salaries being paid each pay period.

Current Status: Condition has been resolved.

2013-4 Child Nutrition 3-Month Carryover Balance

Condition: District has exceeded their three month carryover balance allowed in the Child Nutrition Program.

Recommendation: We recommend the District monitor the Child Nutrition fund balance throughout the year to control compliance with regulations.

Current Status: Condition still exist, see current year finding 2014-003

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2014

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2013 to July 1, 2014.

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, 2013 to July 1, 2014.

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, 2013 to July 1, 2014.

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, 2013 to August 5, 2014.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Accountant's Professional Liability Insurance (unaudited)
For the Year Ended June 30, 2014

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 2013-2014.

RAHHAL HENDERSON JOHNSON, PLLC

Mary E. Johnson

BY: _____
Authorized Agent

Subscribed and sworn to before me on this 7th day of April, 2015.

Jimmie Shelton

Notary Public

Commission Number: 99015459

My commission expires on: 17th day of Sept, 2015

**Jimmie Shelton
State of Oklahoma
Notary Public
Commission # 99015459
Expires: September 17, 2015**