AUDIT REPORT

Haileyville School District I-11

Pittsburg County, Oklahoma

July 1, 2015 to June 30, 2016

Prepared By:

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607 East Main Street
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HAILEYVILLE SCHOOL DISTRICT No. I-11
PITTSBURG COUNTY, OKLAHOMA
JUNE 30, 2016

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HAILEYVILLE SCHOOL DISTRICT

SCHOOL DISTRICT OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2016

Board of Education

President	Rusty Johnson
Vice-President	Joe Hollis
Clerk	Jared Hauff
Member	Eddie Camp
Member	Danny Sartin

Superintendent

Roger Hemphill

Encumbrance Clerk

Audra Champion

Minutes Clerk

Wendi Blocks

Treasurer

Raylynn Hunter

John David Turrentine
Certified Public Accountant, P.C.
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INDEPENDENT AUDITOR'S REPORT

November 14, 2016

The Honorable Board of Education
Haileyville School District No. I-11
Pittsburg County, Oklahoma

Report on the Financial Statements
I have audited the accompanying combined fund type and account group financial statements – regulatory basis of Haileyville School District No.I-11, Pittsburg County, Oklahoma (District), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1C, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between these regulatory basis of accounting described in Note 1C 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 my opinion, because the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, the changes in its financial position, or, where applicable, it's cash flows for the year then ended.

Opinion on the Regulatory Basis of Accounting
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of the Haileyville School District, Pittsburg County, Oklahoma, as of June 30, 2016, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1C.

Other Matters
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements-regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting required by Government Auditing Standards
In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2016 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and is not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

John David Turrentine
Certified Public Accountant

Haileyville School District No. I-11
Pittsburg County, Oklahoma

COMBINED STATEMENT OF ASSETS & LIABILITIES
ALL FUND TYPES AND ACCOUNT GROUPS -REGULATORY BASIS

June 30, 2016

	Governmental Fund Types		
ASSETS	General	Special Revenue	Debt Service
Cash and cash equivalents	$ 719,173	$ 38,993	$ 63,734
Investments	-	-	-
Amount Available in Debt Service Fund	-	-	-
Property and Equipment, Net	-	-	-
Amounts to be provided for retirement of general long term debt	-	-	-
Total Assets	719,173	38,993	63,734
LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants payable	179,457	94	-
Encumbrances outstanding	-	-	-
Student Accounts payable	-	-	-
Interest Payable	-	-	3,958
Long-term debt			
Bonds Payable	-	-	20,000
Capital Leases	-	-	-
Compensated absences	-	-	-
Early retirement incentive	-	-	-
Total liabilities	179,457	94	23,958
Fund Equity:			
Investment in Gen Fixed Assets	-	-	-
Cash fund balances	539,716	38,899	39,775
Total Liabilities and Fund Equity	$ 719,173	$ 38,993	$ 63,734

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

Governmental Fund Types	Fiduciary Fund Types	Account Groups		
Bond	Activity	General Fixed Asset	General Long-Term Debt	Total (Memorandum Only)
$ 1,103,544	$ 86,451	$ -	$	$ 2,011,895
-	40,000	-		40,000
-	-	-	39,775	39,775
-	-	8,063,096	-	8,063,096
-	-		1,349,064	1,349,064
1,103,544	126,451	8,063,096	1,388,840	$11,503,830
-	-	-	-	179,551
-	-	-	-	-
-	126,451	-	-	126,451
-	-	-	-	3,958
-	-	-	1,230,000	1,250,000
-	-	-	158,840	158,840
-	-	-	-	-
-	-	-	-	-
-	126,451	-	1,388,840	1,718,800
-	-	8,063,096	-	8,063,096
1,103,544	-	-	-	1,721,934
$ 1,103,544	$ 126,451	$ 8,063,096	$ 1,388,840	$11,503,830

Haileyville School District No. I-11
Pittsburg County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES-REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenue Collected			
Local Sources	$ 534,110	$ 72,394	$ 42,322
Intermediate Sources	77,690	-	-
State Sources	1,827,848	-	-
Federal Sources	617,813	-	-
Total Revenue Collected	3,057,461	72,394	42,322
Expenditures paid:			
Instruction	1,742,129	-	-
Support services	1,196,887	60,318	-
Non instruction services	213,390	-	-
Capital Outlay	-	-	-
Other outlays	71	-	45,333
Total Expenditures Paid	3,152,478	60,318	45,333
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	(95,017)	12,076	(3,011)
Adj. to prior year encumbrances	-	-	-
Other financing sources (uses):			
Bond Sale proceeds	-	-	39,503
Operating transfers in	71	-	-
Operating transfers out	(121)	-	-
Total other fin sources(uses)	(50)	-	-
Excess (deficiency) of revenue collected over expend. paid and other fin. sources(uses)	(95,067)	12,076	36,491
Cash fund balance,July 1, 2015	634,783	26,823	3,284
Cash fund balance,June 30, 2016	$ 539,716	$ 38,899	$ 39,775

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

Governmental Fund Types	Fiduciary Fund Type	
Bond Fund	Activity	Total (Memorandum Only)
$ -	$ -	$ 648,825
-	-	77,690
-	-	1,827,848
-	-	617,813
-	-	3,172,177
3,296	-	1,745,426
6,213	-	1,263,417
-	-	213,390
47,205	-	47,205
-	-	45,404
56,714	-	3,314,842
(56,714)	-	(142,666)
-	-	-
1,150,000	-	1,189,503
-	-	71
-	-	(121)
1,150,000	-	1,189,453
1,093,286	-	1,046,787
10,258	-	675,147
$ 1,103,544	$ -	$ 1,721,934

Haileyville School District No. I-11
Pittsburg County, Oklahoma

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

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund			Special Revenue Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected						
Local Sources	$ 496,979	$ 496,979	$ 534,110	$ 63,643	$ 63,643	$ 72,394
Intermediate Sources	69,919	69,919	77,690	-	-	-
State Sources	1,851,839	1,851,839	1,827,848	-	-	-
Federal Sources	315,381	315,381	617,813	-	-	-
Total Revenue Collected	2,734,118	2,734,118	3,057,461	63,643	63,643	72,394
Expenditures paid:						
Instruction	3,368,901	3,368,901	1,742,129	90,465	90,465	-
Support services	-	-	1,196,887	-	-	60,318
Non instruction services	-	-	213,390	-	-	-
Capital Outlay	-	-	-	-	-	-
Other outlays	-	-	-	-	-	-
Total Expenditures Paid	4,665,101	4,665,101	3,152,478	92,645	268,105	60,318
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances			(95,017)			12,076
Adj. to prior year encumbrances			-			-
Other financing sources (uses):						
Bond sales proceeds			-			-
Operating transfers in			71			-
Operating transfers out			(121)			-
Total other fin sources(uses)			(50)			-
Excess (deficiency) of revenue collected over expend. paid and other fin. sources(uses)			(95,067)			12,076
Cash fund balance,July 1, 2015			634,783			26,823
Cash fund balance,June 30, 2016			$ 539,716			$ 38,899

Bond Fund			Sinking Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ -	$ -	$ 275	$ 38,216	$ 38,216	$ 42,322
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	275	38,216	38,216	42,322
10,258	1,160,258	3,296	-	-	-
-	-	6,213	-	-	-
-	-	-	-	-	-
-	-	47,204	-	-	-
-	-	-	41,500	41,500	45,333
10,258	1,160,258	56,714	41,500	41,500	45,333
		(56,714)			(3,011)
		-			-
		1,150,000			39,503
		-			-
		-			-
		1,150,000			39,503
		1,093,286			36,491
		10,258			3,284
		$ 1,103,544			$ 39,775

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Haileyville School District I-11, Pittsburg County, Oklahoma (the District) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB)/ The basic -but not the only- criterion for including a potential component unity 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. The District does not have a School Education Foundation.

B. Fund Accounting and Description of Funds

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

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

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

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), 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 Funds- Special revenue funds is the District's Building Fund.

Building 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.

Co-Op Fund- The Co-op fund accounts for revenues and expense from the operation of a program in conjunction with another school district.

Lease Purchase and Capital Improvement Contingency Funds- The Lease Purchase and Capital Improvement Contingency funds are accounts for revenues and expenses for emergency replacement and repairs.

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

Capital Projects Fund-The capital projects fund is the District's Bond Fund that is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, Renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types- Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The

terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District olds on behalf of others as their agent and do not involve measurement of results of operations.

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

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

General Long-Term Debt Account Group- This account group was established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

General Fixed Asset Account Group- This account group is used to account for property, plant, and equipment of the school district.

Memorandum Only - Total Column - The total column on the financial statements-is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles in the United States of America. 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 the format 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 No. 34, Basis Financial Statements-Management's Discussion and Analysis-for State and Local Governments. This format significantly differs from that required by GASB 34.

The basis 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, or other commitments for the expenditure of monies are recorded when approved.

Investments and inventories are recorded as assets when purchased.

Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.

Warrants payable are recorded as liabilities when issued.

Long term debt is recorded when incurred.

Accrued compensated absences are recorded as expenditures 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 requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

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

The District may upon approval by the majority of electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. The district electors have made the levies permanent.

Under current Oklahoma Statues, 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 budget appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of certificates of deposit of banks with maturities greater than three months when purchased.

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 rolls 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 half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, 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 known, but it is not believed to material to the financial statements.

Capital Assets - Fixed assets used in governmental type fund operations are recorded as capital outlay expenditures upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group.

All fixed assets are recorded at historical cost, or estimated cost, if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation and accumulated depreciation are not reported against general fixed assets.

Compensated Absences- The District allows certain employees to take vacations. The vacation leave must be used during the year earned and cannot be carried over.

Employees are allowed varying amounts of sick leave during the year in accordance with Oklahoma Statutes. Sick leave used during the year is recorded as an expense in the governmental fund. Vested accumulated rights to receive sick pay benefits may be used in subsequent years, transferred to another District, or added to years of service at retirement. Based upon the District's experience it is not probable that the District will pay for vested accumulated rights to receive sick leave. Therefore a liability for vested accumulated sick leave has not been recorded.

Long-Term Debt

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

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

F. Revenues, 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.

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 from or additions to the 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 and reimbursements, are reported as transfers.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

NOTE 2 - Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the District’s investment policy is to comply with these requirements.

Deposits and Investments - The District's cash deposits and investments at June 30, 2016 of $2,051,895 were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the district or by its agent in the district’s name.

Therefore, the District's cash deposits and investments at June 30, 2016 were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

NOTE 3- General Fixed Assets (Property & Equipment)-

	Balance 7/01/15	Additions	Disposals	Balance 6/30/16
Land & Buildings	$ 7,691,710	$ -	$ -	$ 7,691,710
Transport'n Equip.	309,604	22,299	-	331,903
Other Assets	39,483	-	-	39,483
Total	$ 8,040,797	$ 22,299	$ -	$ 8,063,096

NOTE 4 - General Long-Term Debt

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

	Bonds Payable Total	Compens. Absences	Early Retire. Incentive	Capital Lease Oblig.
Balance,July 1, 2015	$ 150,000	$ -	$ -	$ 198,728
Additions	1,150,000	-		-
Adjustments	-	-		-
Retirements/Reductions	(50,000)	-		(39,888)
Balance,June 30,2016	$1,250,000	$ -	$ -	$ 158,840

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

Independent School District I-11 Building Bonds, Series 2013, original issue $200,000, interest rate of .75-1.75%, due in annual installments of $50,000, final payment of $50,000, due June 1, 2018. $ 100,000

Independent School District I-11 Building Bonds, Series 2016, original issue $1,150,000, interest rate of 1.5%-2.5%, due in annual installments of $125,000, final payment of $150,000, due May 1, 2026. $1,150,000

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

Y/E June 30,	Principal	Bond Interest	Leases
2017	50,000	24,875	50,750
2018	175,000	24,500	50,750
2019	125,000	21,875	50,750
2020	125,000	20,000	25,375
2021-2026	775,000	65,313	.
	$1,250,000	$ 156,563	$177,624
Less amounts representing interest			18,770
Present value of future minimum lease payments			$158,840

Interest expense on general long-term debt incurred during the current year totaled $ 18,784.

NOTE 5 - Other Post Employment Benefits -

The district does not have an early retirement incentive plan.

NOTE 6 - Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost- sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution /requirements. The system issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers Retirement System, PO Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

The contribution rates for the Districts which are not actuarial determined, and are established by Oklahoma statute and applied to the employee's earnings, plus employer-paid fringe benefits. The district is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2016. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7.0% on all regular annual compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. These require the district and state to contribute 14% of applicable compensation. The District is required to pay 16.5% for any compensated retired teachers already receiving benefits.

Annual Pension Cost- The District's total contributions for 2016, 2015 and 2014 were $ 132,839,$ 119,837, and $ 123,745 respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be aid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases.There are no actuarial valuations performed on individual school districts. The system has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Ten year historical trend information is presented in the teacher's retirement System of Oklahoma Annual report for the year ended June 30, 2015. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The report can be obtained at the Systems' office in Oklahoma City or on its website.

NOTE 7- Risk Management

The district is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors, and omissions; injuries to employees; employees health and life; and natural disasters. The District manages these various risks of loss as follows:

Type of Loss	Method Managed	Loss Retained
A. Torts, errors and omissions	Purchased Commercial insurance through a commercial carrier.	None
B. Injuries to employees (Workmen's Compensation)	Participation in OSAG risk entity pool	(1)
C. Employee health & life asset loss & natural disaster	Purchased Commercial insurance through a commercial carrier.	None

(1) Worker's Compensation Plan- The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating District pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma School Assurance Group, and is responsible for its obligations under any contract entered into with the plan.

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims is limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan's worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

Note 8- Contingencies

Federal Grants

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.

Note 9- Subsequent Events-

No subsequent events have occurred that could have an effect on the financial statements at June 30, 2016.

Note 10- Litigation

The District is not party to any known legal proceedings which normally occur in governmental operations.

Haileyville School District No. I-11
Pittsburg County, Oklahoma

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

June 30, 2016

	Governmental Fund Types (1)			
ASSETS	Building Fund			Total
Cash/Cash equivalents	$ 38,993	-	$ -	$ 38,993
Investments-		-	-	-
Total Assets	38,993	-	-	38,993
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants payable	94	-	-	94
Encumbrances O/S	-	-	-	-
Total liabilities	94	-	-	94
Fund Equity:				
Retained Earnings	-	-	-	-
Cash fund balances	38,899	-	-	38,899
Total Liabilities and Fund Equity	$ 38,993	$ -	$ -	$ 38,993

*The accompanying notes are an integral part of these financial statements.

Haileyville School District I-11
Pittsburg County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL
BUDGETED GOVERNMENTAL FUND TYPES-REGULATORY BASIS
COMBINING SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund					
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected						
Local Sources	$ 63,643	$ 63,643	$ 72,394	$ -	$ -	$ -
Intermediate Sources	-	-	-	-	-	-
State Sources	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-
Total Revenue Collected	63,643	63,643	72,394	-	-	-
Expenditures paid:						
Instruction	90,465	90,465	-	-	-	-
Support services	-	-	60,318	-	-	-
Non instruction services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Other outlays	-	-	-	-	-	-
Total Expenditures Paid	90,465	90,465	60,318	-	-	-
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	(26,823)	(26,823)	12,076	-	-	-
Adj. to prior year encumbrances	-	-	-	-	-	-
Other financing sources (uses):						
Bond sales proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other fin sources(uses)	-	-	-	-	-	-
Excess (deficiency) of revenue collected over expend. paid and other fin. sources(uses)	(26,823)	(26,823)	12,076	-	-	-
Cash fund balance,July 1, 2015	26,823	26,823	26,823	-	-	-
Cash fund balance,June 30, 2016	$ -	$ -	$ 38,899	-	-	-

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

			Combining Special Revenue Funds		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ -	$ -	$ -	$ 63,643	$ 63,643	$ 72,394
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	63,643	63,643	72,394
-	-	-	90,465	90,465	-
-	-	-	-	-	60,318
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	90,465	90,465	60,318
-	-	-	(26,823)	(26,823)	12,076
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(26,823)	(26,823)	12,076
-	-	-	26,823	26,823	26,823
$ -	$ -	$ -	$ 0	$ 0	$ 38,899

Haileyville School District N,o. I-11
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS-REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

SUB ACCOUNT	BALANCE 7/01/15	ADDITIONS	DEDUCTIONS	BALANCE 6/30/16
Seniors 2016	$ 800	$ 17,223	$17,856	$ 167
Seniors 2017	3,342	4,005	2,145	5,202
Seniors 2018	629	2,096	970	1,755
Elementary	351	1,795	1,395	751
7th-8th Gr	105	3,290	3,199	196
Football	153	20,554	16,210	4,496
Girls SBall HS	1,623	3,454	4,792	285
Student Council	-	-	-	-
Yearbook	4,493	6,929	7,853	3,568
Music	36	-	-	36
HS Cheer.	2,200	12,811	6,892	8,118
Fam.Career,Com.	681	6,702	5,935	1,448
Library	2,539	2,010	2,836	1,714
FFA	1,249	10,821	9,728	2,341
Boys BasketB.	1	4,086	2,520	1,567
G. Hs Baseball	0	4,381	4,155	226
Gen Account	858	2,774	2,130	1,502
Academic Team	363	-	-	363
HHS Ath. Boost	510	160	-	670
F.C.A.	2,911	143	45	3,009
Bus Prof. Amer	1,120	3,300	2,993	1,426
G.& O. Green Sch.	19	300	300	19
4H & FFA Boost.	365	530	143	753
Early Childhood	92	450	209	334
Native Am. Club	134	8,578	7,057	1,655
Baseball	1,464	5,641	4,531	2,574
4-H Club	257	1,088	1,217	128
H. Teach Assn	628	50	-	628
Science Club	213	-	-	213
Speech & Drama	180	-	-	180
Stan. Jones Mem	19,034	2,506	2,500	19,040
Accel. Reading	25	-	-	25
Softball Field	72	-	-	72
Concessions	101	12,213	7,423	4,890
Haileville Sign	157	10	-	167
Odysey of Mind	1,689	294	526	1,457
5th & 6th Grade	1,851	4,676	5,539	987
Stan. Jones-CD	40,000	-	-	40,000
Warren Scholar	305	-	-	305
Class of 2019	0	99	-	99
Foreign Language	144	147	163	128
Bowling	407	1,600	1,420	587
Curriculum Club	123	-	-	123
Blast	184	10,213	6,290	4,107
Office Acct	2,284	12,647	7,306	7,626
Drill Team	-	3,359	2,318	1,041
TOTALS	$ 94,114	$170,933	$138,596	$126,451

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

Haileyville School District No. I-11
Pittsburg County, Oklahoma
Schedule of Expenditures of Federal Awards-Regulatory Basis
July 1, 2015 to June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Approved Amount	Balance at July 1, 2015	Receipts	Expenditures	Cancelled/ Not Required	Balance at June 30, 2016	Indirect Cost	Project
U.S. Department of Education									
Direct Programs:									
Flood Control	12.112	$ 502	$ 0	$ 502	$ 502	$ 0	$ 0		770
Title VI REAP	84.358A	$ 20,736	$ 0	$ -	$ 20,736	$ 0	$ (20,736)		588
Impact Aide	84.041	$ 66,109	$ 0	$ 66,109	$ 66,109	$ 0	$ 0		591
Title VII, Part A	84.060	$ 50,526	$ 0	$ -	$ 50,526	$ 0	$ (50,526)		561
Passed Through State Dept of Education:									
Title I Basic Program	84.010	$103,407	$ 0	$ 97,845	$ 97,845	$ 0	$ 0	$5,311	511
Title I School Improvement	84.010	$ 15,843	$ 0	$ 15,843	$ 15,843	$ 0	$ 0		515
Title II, Part A	84.367	$ 21,186	$ 0	$ 21,186	$ 21,286	$ 0	$ (100)	$1,271	586
IDEA-B flow through	84.027	$ 83,511	$ 0	$ 83,511	$ 83,511	$ 0	$ 0		621
IDEA-B Preschool	84.173	$ 1,294	$ 0	$ 1,294	$ 1,294	$ 0	$ 0		641
TOTAL Dept. of Education		$225,241	$ 0	$219,679	$219,779	$ 0	$ (100)		
U.S. Dept. of Agriculture:									
Passed through the State Dept. of Education:									
USDA Lunch	10.555	$118,928	$ 0	$118,928	$113,973	$ 0	$ 4,955		763
USDA Breakfast	10.553	$ 62,753	$ 0	$ 62,753	$ 62,753	$ 0	$ 0		764
Passed Through Dept of Human Services:									
Non-Cash Commodities	10.555	$ 13,478	$ 0	$ 13,478	$ 13,478	$ 0	$ 0		
Other Programs:									
Johnson O'Malley	15.130	$ 2,080	$ (54)	$ 9,804	$ 9,750	$ 0	$ 0		563
21st Century Grant	84.287	$148,045	$ (7,420)	$140,039	$133,154	$ 0	$ (535)		553
TOTALS		**$896,027**	**$ (7,474)**	**$631,291**	**$690,760**	**$ 0**	**$ (66,942)**		

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

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

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

* The accompanying notes are an integral part of this statement

John D. Turrentine
Certified Public Accountant P.C.
607 East Main Street
Stigler Oklahoma 74462
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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

November 14, 2016

To the Honorable Board of Education
Haileyville School District No. I-11
Pittsburg County, Oklahoma

I 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-regulatory basis within the combined financial statements of the Haileyville School District I-11, Pittsburg 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 financial statements, and have issued my report thereon dated November 14, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was unqualified with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

John D. Turrentine CPA, P.C.
Stigler Oklahoma

Haileyville School District No. I-11

SCHEDULE OF CURRENT YEAR FINDINGS AND
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDIT RESULTS

1. *Financial Statements:*
   Type of Auditors Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and is an unqualified opinion on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.
2. No significant deficiencies relating to the audit of the financial statements is reported in the Schedule of Findings and Responses.
3. No instances of noncompliance material to the financial statements of the Haileyville School District were disclosed during the audit.

Section II
FINANCIAL STATEMENT AUDIT

There are no matters required to be reported.

Section III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are not matters required to be reported.

PRIOR YEARS FINDINGS (July 1, 2014 to June 30, 2015)

None.

***The accompanying notes are an integral part of these financial statements.**

HAILEYVILLE SCHOOL DISTRICT NO. I-11
PITTSBURG COUNTY, OKLAHOMA
STATEMENT OF STATUTORY, FIDELITY, AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2016

Bond Type	Bonding Company	Bond Number	Amount	Effective through Date
Surety/W. Blocks Act Fund/Minutes Clerk	Western Surety	70568289	$ 25,000	5/03/17
Surety/A. Champion Encumbrance Clerk	Western Surety	70686668	$ 25,000	indefinite
Surety/D. Reynolds	Western Surety	14510703	$ 5,000	7/09/16
Surety/Supt/Hemphill	Western Surety	61447381	$ 100,000	8/01/17
Surety/Treas/Hunter	Western Surety	61444763	$ 100,000	8/20/16

Haileyville School District I-11
Pittsburg County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit
June 30, 2016

State of Oklahoma)
)
County of Haskell)

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 audit engagement with Haileyville School District I-11 for the year 2015-2016.

John D. Turrentine, CPA P.C.
Auditing Firm

by _____
Authorized Agent

Subscribed and sworn before me this 14th day of November, 2016

_____
NOTARY PUBLIC

NOTARY PUBLIC SEAL
JAMIE TURRENTINE
Notary Public in and for the
State of Oklahoma
Commission #11010160
My Commission expires 11/08/2019