

**Ringling School District I-14**  
**Jefferson County, Oklahoma**

Financial Statements  
Year-End June 30, 2015

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Jefferson County, Oklahoma  
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## Independent Auditor's Report

The Honorable Board of Education  
Ringling School District, I-14  
Ringling, Oklahoma 73456

### **Report on the Financial Statements**

We have audited the accompanying fund type and account group financial statements of Ringling School District, I-14, Jefferson County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's regulatory financial statements as listed in the table of contents.

### **Management's Responsibility of the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

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

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

As discussed in Note 1, the financial statements are prepared by Ringling School District, I-14, Jefferson County, Oklahoma, on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Ringling School District, I-14, Jefferson County, Oklahoma as of June 30, 2015, the changes in its financial position for the year then ended.

#### **Basis for Qualified Opinion on General Fixed Asset Account Group**

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

#### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on General Fixed Asset Account Group" paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Ringling School District, I-14, Jefferson County, Oklahoma, as of June 30, 2015, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

#### **Other Matters**

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ringling School District I-14, Jefferson County, Oklahoma financial statements as a whole. The accompanying combining financial statements, combining statement of changes in cash balances – regulatory basis – activity funds, and schedule of expenditures of

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2016, on our consideration of Ringling School District I-14, Jefferson County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Ringling School District I-14, Jefferson County, Oklahoma's internal control over financial reporting and compliance.

*Rakhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 6, 2016

Ringling School District I-14  
Jefferson County, Oklahoma  
Combined Statement of Assets, Liabilities and Fund Equity  
Regulatory Basis – All Governmental Fund Type and Account Groups  
June 30, 2015

ASSETS	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (memorandum only - Note 1) 6/30/2015
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long Term Debt	
Cash	\$ 358,972	\$ 277,701	\$ 93,139	\$ 5	\$ 101,932	\$ -	\$ 831,749
Amount available in debt service fund	-	-	-	-	-	93,139	93,139
Amounts to be provided for							
Capital leases	-	-	-	-	-	261,370	261,370
Retirement of general long term debt	-	-	-	-	-	686,861	686,861
<b>Total Assets</b>	<b>\$ 358,972</b>	<b>\$ 277,701</b>	<b>\$ 93,139</b>	<b>\$ 5</b>	<b>\$ 101,932</b>	<b>\$ 1,041,370</b>	<b>\$ 1,873,119</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Warrants payable	\$ 135,167	\$ 5,377	\$ -	\$ -	\$ 3,444	\$ -	\$ 143,988
Due to others	-	-	-	-	98,488	-	98,488
Encumbrances	32,403	514	-	-	-	-	32,917
Capital leases payable	-	-	-	-	-	261,370	261,370
General obligation bonds payable	-	-	-	-	-	780,000	780,000
<b>Total Liabilities</b>	<b>167,570</b>	<b>5,891</b>	<b>-</b>	<b>-</b>	<b>101,932</b>	<b>1,041,370</b>	<b>1,316,763</b>
Fund Equity:							
Undesignated	191,402	271,810	93,139	5	-	-	556,356
<b>Total Cash Fund Balances</b>	<b>191,402</b>	<b>271,810</b>	<b>93,139</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>556,356</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 358,972</b>	<b>\$ 277,701</b>	<b>\$ 93,139</b>	<b>\$ 5</b>	<b>\$ 101,932</b>	<b>\$ 1,041,370</b>	<b>\$ 1,873,119</b>

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances  
Regulatory Basis – All Governmental Fund Type  
For the Year Ended June 30, 2015

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2015
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 571,077	\$ 125,215	\$ 132,698	\$ -	\$ 828,990
Intermediate sources	72,586	-	-	-	72,586
State sources	2,583,273	3,017	4	-	2,586,294
Federal sources	152,971	131,355	-	-	284,326
Total Revenues Collected	<u>\$ 3,379,907</u>	<u>\$ 259,587</u>	<u>\$ 132,702</u>	<u>\$ -</u>	<u>\$ 3,772,196</u>
Expenditures paid:					
Instruction	\$ 2,131,842	\$ -	\$ -	\$ -	\$ 2,131,842
Support services	1,132,673	101,308	-	-	1,233,981
Non-Instructional services	11,489	196,360	-	-	207,849
Capital outlay	-	-	-	-	-
Other outlays	12,551	-	-	-	12,551
Debt service:					
Principal payments	-	-	110,000	-	110,000
Interest and fiscal agent fees	-	-	13,150	-	13,150
Total expenditures paid	<u>3,288,555</u>	<u>297,668</u>	<u>123,150</u>	<u>-</u>	<u>3,709,373</u>
Excess of revenues collected over (under) expenditures paid	91,352	(38,081)	9,552	-	62,823
Adjustments to prior year encumbrances	9,811	-	-	-	9,811
Excess of revenues collected and other sources over (under) expenditures paid and other uses	101,163	(38,081)	9,552	-	72,634
Cash fund balances, beginning of year	90,239	309,891	83,587	5	483,722
Cash fund balances, end of year	<u>\$ 191,402</u>	<u>\$ 271,810</u>	<u>\$ 93,139</u>	<u>\$ 5</u>	<u>\$ 556,356</u>

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



Ringling School District I-14  
Jefferson County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual  
Regulatory Basis – Budgeted Governmental Fund Types  
For the Year Ended June 30, 2015

	General Fund				Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 90,239	\$ 90,239	90,239	\$ -	\$ 309,891	\$ 309,891	\$ 309,891	\$ -
Revenues collected:								
Local sources	517,610	517,610	571,077	53,467	247,998	247,998	125,215	(122,783)
Intermediate sources	59,100	59,100	72,586	13,486	-	-	-	-
State sources	2,634,771	2,634,771	2,583,273	(51,498)	23,760	23,760	3,017	(20,743)
Federal sources	176,783	176,783	152,971	(23,812)	148,000	148,000	131,355	(16,645)
Total Revenues Collected	<u>\$ 3,388,264</u>	<u>\$ 3,388,264</u>	<u>\$ 3,379,907</u>	<u>\$ (8,357)</u>	<u>\$ 419,758</u>	<u>\$ 419,758</u>	<u>\$ 259,587</u>	<u>\$(160,171)</u>
Expenditures paid:								
Instruction	2,132,000	2,132,000	2,131,842	(158)	-	-	-	-
Support services	1,135,000	1,135,000	1,132,673	(2,327)	452,796	452,796	101,308	(351,488)
Non-Instructional services	12,000	12,000	11,489	(511)	276,853	276,853	196,360	(80,493)
Capital outlay	-	-	-	-	-	-	-	-
Other outlays	199,503	199,503	12,551	(186,952)	-	-	-	-
Total Expenditures paid	<u>\$ 3,478,503</u>	<u>\$ 3,478,503</u>	<u>\$ 3,288,555</u>	<u>\$ (189,948)</u>	<u>\$ 729,649</u>	<u>\$ 729,649</u>	<u>\$ 297,668</u>	<u>\$(431,981)</u>
Excess of revenues collected over (under) expenditures paid	(90,239)	(90,239)	181,591	181,591	(309,891)	(309,891)	271,810	271,810
Adjustment to prior year encumbrances	-	-	9,811	9,811	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,402</u>	<u>\$ 191,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,810</u>	<u>\$ 271,810</u>

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund  
Balances – Budget and Actual  
Regulatory Basis – Budgeted Governmental Fund Types  
For the Year Ended June 30, 2015

	Debt Service Fund			
	Original	Final	Actual Budgetary	
	Budget	Budget	Basis	Variance
Beginning cash fund balances - Budgetary basis	\$ (1,076)	\$ (1,076)	\$ (8,604)	\$ 7,528
Revenues collected:				
Local sources	114,043	114,043	132,698	18,655
State sources	-	-	4	4
Total Revenues Collected	\$ 114,043	\$ 114,043	\$ 132,702	\$ 18,659
Expenditures paid:				
Debt service:				
Principal payments	100,000	100,000	100,000	-
Interest and fiscal agent fees	12,967	12,967	12,967	-
Total Expenditures Paid	\$ 112,967	\$ 112,967	\$ 112,967	\$ -
Excess of revenues collected over (under) expenditures paid	-	-	11,131	18,659
Ending cash fund balances budgetary basis	\$ -	\$ -	\$ 11,131	\$ 26,187

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

Actual amounts "Total Expenditures Paid" from budgetary comparison Schedule:	112,967
Adjustments for Bond Principal and Interest Accruals:	10,183
Total Expenditures Paid as reported on the Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances	123,150
Actual amounts "Ending Cash Balances" from budgetary comparison Schedule:	11,131
Adjustments for Bond Principal and Interest Accruals:	82,008
Ending Cash Balances as reported on the Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances	\$ 93,139

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. *Summary of Significant Accounting Policies***

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

**A. *The Reporting Entity***

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

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the district and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

***B. Fund Accounting***

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

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

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

*Governmental Fund Types*

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

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

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

***B. Fund Accounting – (continued)***

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

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

*Fiduciary Fund Types*

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

*Account Groups*

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

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

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

*Memorandum Only - Total Column*

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

**C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types.

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

*Noncash Transactions* - The District received federal food commodities in the amount of \$12,318. In addition, the State of Oklahoma paid approximately \$29,144 directly to the teacher retirement fund on behalf of the District's employees.

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

***D. Budgets and Budgetary Accounting***

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

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

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

Under current Oklahoma Statutes a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

***E. Assets Liabilities and Fund Equity***

*Investment* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policies are governed by *Oklahoma Statutes*. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal depository insurance.

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

***E. Assets Liabilities and Fund Equity – (continued)***

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

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

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

*Inventories* - The value of consumable inventories at June 30, 2015 is not material to the financial statements.

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

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

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

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



Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**1. Summary of Significant Accounting Policies – (continued)**

***F. Revenue, Expenses and Expenditures***

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

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

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

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

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

**2. Cash**

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2015, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

Ringling School District I-14  
 Jefferson County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2015

**3. General Long Term Debt**

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

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	<i><b>Bonds Payable</b></i>	<i><b>Capital Leases</b></i>
Balance July 1, 2014	\$ 890,000	\$ 312,474
Additions	-	-
Retirements	(110,000)	(51,104)
Balance June 30, 2015	\$ 780,000	\$ 261,370

*General Obligation Bonds*

A brief description of the outstanding general obligations issues at June 30, 2015, is set forth below:

Independent School District, I-14 Building Bonds of 2012, original issue \$1,000,000, interest rates from 1.0% to 3.875%, due in annual installments of \$110,000 with a final installment of \$120,000 due 5/1/22.	<i><b>Amount Outstanding</b></i> \$ 780,000
	\$ 780,000

Ringling School District I-14  
 Jefferson County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2015

**3. General Long Term Debt – (continued)**

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	110,000	12,050	\$ 122,050
2017	110,000	10,950	120,950
2018	110,000	9,850	119,850
2019	110,000	8,475	118,475
2020	110,000	6,825	116,825
2021-2022	<u>230,000</u>	<u>7,600</u>	<u>237,600</u>
Total	<u>\$ 780,000</u>	<u>\$ 55,750</u>	<u>\$ 835,750</u>

**Capital Leases**

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

The District entered into a lease agreement of four copier machines to be used by the district in the amount of \$25,800 at interest rates of 5.40% payable in sixty monthly installments. District also entered into a lease agreement to use reel mower in the amount of \$55,609 at interest rate of 5.40% payable in sixty monthly installments. The District entered into a Lease purchase agreement for Cafeteria Equipment in the amount of \$300,000 at an interest rate of 3.13% with payment of \$42,980 due in eight yearly installments starting in June 2014.

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

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2015	\$ 61,538
2016	55,423
2017	42,980
2018	42,980
2019	42,980
2020-2024	<u>42,980</u>
	288,881
Less: Interest	<u>(27,511)</u>
Total	<u>\$ 261,370</u>

Interest expense on general long-term debt incurred during the current year totaled \$23,584.

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**3. General Long Term Debt – (continued)**

*Pledged Revenues*

Property Tax revenues collected by the District are pledged to repay the District's General Obligation Bonds. Proceeds from the bonds were used for construction of the cafeteria/safe room. The bonds are payable solely from the pledged revenues and are payable through 2022. As of June 30, 2015, \$780,000 general obligation bonds were outstanding. Current year had a payment of pledged revenues of \$123,150 which included principal and interest. Of the current year collections of the pledged revenues 100% was used for the current year payment.

**4. Employee Retirement System**

Teachers' Retirement System of Oklahoma

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

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

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**4. Employee Retirement System (continued)**

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2015, qualifying employee contributions were reduced by a retirement credit of \$29,144 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2015, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2015, the District contributions to the System for were \$191,860.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$6,278.

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2015

**4. Employee Retirement System (continued)**

Pension Liability and Pension Expense

At June 30, 2015, the District's proportionate share of the net pension liability was \$2,367,905. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.04401419%, which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30 2015, the District had pension expense of \$138,654.

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Percentage of Payroll

Amortization Period – Amortization over an open 30-year period

Asset Valuation Method – 5-year smooth market

Inflation – 3.00%

Salary Increases – Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

Investment Rate of Return – 8.00%

Retirement Age – Experience-based table of rates based on age, service, and gender.

Mortality – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

Ringling School District I-14  
 Jefferson County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2015

**4. Employee Retirement System (continued)**

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

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

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Ringling School District I-14  
 Jefferson County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2015

**4. Employee Retirement System (continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's Proportionate share of the net pension liability	\$ 3,349,642	\$ 2,367,905	\$ 1,569,536

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

**5. Contingencies**

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

**6. Risk Management**

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

**7. Subsequent Event**

Capital Lease agreements are renewed each fiscal year. The capital lease related to the reel mower as described in Note 3, was not renewed. August 2015, the District entered into a new lease agreement for a reel mower in which they only rent the equipment for 3 months at a monthly rate of \$694.



Ringling School District I-14  
 Jefferson County, Oklahoma  
 Supplementary Schedule  
 Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis  
 All Special Revenue Funds  
 June 30, 2015

	Building Fund	Child Nutrition Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 230,532	\$ 47,169	\$ 277,701
Total Assets	\$ 230,532	\$ 47,169	\$ 277,701
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Warrants payable	\$ 1,377	\$ 4,000	\$ 5,377
Encumbrances	-	514	514
Total Liabilities	1,377	4,514	5,891
Fund Equity:			
Unreserved:			
Undesignated	229,155	42,655	271,810
Total Cash Fund Balances	229,155	42,655	271,810
Total Liabilities and Fund Equity	\$ 230,532	\$ 47,169	\$ 277,701

Ringling School District I-14  
Jefferson County, Oklahoma  
Supplementary Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Regulatory Basis  
All Special Revenue Funds  
For the Year Ended June 30, 2015

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
Revenues collected:			
Local sources	\$ 77,750	\$ 47,465	\$ 125,215
State sources	2	3,015	3,017
Federal sources	-	131,355	131,355
Total Revenues Collected	<u>\$ 77,752</u>	<u>\$ 181,835</u>	<u>\$ 259,587</u>
Expenditures paid:			
Support services	\$ 101,308	\$ -	\$ 101,308
Non-instructional services	-	196,360	196,360
Capital outlay	-	-	-
Other outlays	-	-	-
Total expenditures paid	<u>\$ 101,308</u>	<u>\$ 196,360</u>	<u>\$ 297,668</u>
Excess of revenues collected over (under) expenditures paid	<u>\$ (23,556)</u>	<u>\$ (14,525)</u>	<u>\$ (38,081)</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	\$ (23,556)	\$ (14,525)	\$ (38,081)
Cash fund balances, beginning of year	<u>252,711</u>	<u>57,180</u>	<u>309,891</u>
Cash fund balances, end of year	<u>\$ 229,155</u>	<u>\$ 42,655</u>	<u>\$ 271,810</u>

Ringling School District I-14  
Jefferson County, Oklahoma  
Supplementary Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis  
All Special Revenue Funds  
For the Year Ended June 30, 2015

	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	\$ 252,712	\$ 252,712	\$ 252,711	\$ 57,179	\$ 57,179	\$ 57,180	\$ 309,891	\$ 309,891	309,891
Revenues collected:									
Local sources	200,084	200,084	77,750	47,914	47,914	47,465	247,998	247,998	125,215
State sources	-	-	2	23,760	23,760	3,015	23,760	23,760	3,017
Federal sources	-	-	-	148,000	148,000	131,355	148,000	148,000	131,355
Total revenues collected	<u>200,084</u>	<u>200,084</u>	<u>77,752</u>	<u>219,674</u>	<u>219,674</u>	<u>181,835</u>	<u>419,758</u>	<u>419,758</u>	<u>259,587</u>
Expenditures paid:									
Support services	452,796	452,796	101,308	-	-	-	452,796	452,796	101,308
Non-Instructional Services	-	-	-	276,853	276,853	196,360	276,853	276,853	196,360
Capital outlay	-	-	-	-	-	-	-	-	-
Other outlays	-	-	-	-	-	-	-	-	-
Total expenditures paid	<u>452,796</u>	<u>452,796</u>	<u>101,308</u>	<u>276,853</u>	<u>276,853</u>	<u>196,360</u>	<u>729,649</u>	<u>729,649</u>	<u>297,668</u>
Excess of revenues collected over (under) expenditures paid	<u>(252,712)</u>	<u>(252,712)</u>	<u>(23,556)</u>	<u>(57,179)</u>	<u>(57,179)</u>	<u>(14,525)</u>	<u>(309,891)</u>	<u>(309,891)</u>	<u>(38,081)</u>
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-	-
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,810</u>

Ringling School District I-14  
Jefferson County, Oklahoma  
Supplementary Schedule  
Combining Statement of Changes in Cash Balances – Regulatory Basis  
Activity Funds  
For the Year Ended June 30, 2015

	<u>BEGINNING</u> <u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING</u> <u>BALANCE</u>
Art	\$ 1,250	\$ 1	\$ -	\$ 1,251
Yearbook	6,522	10,139	11,164	5,497
FHA	6,681	3,534	3,276	6,939
FFA	1,737	33,326	33,279	1,784
Senior Account	2,083	3,466	5,177	372
Junior Account	3,132	41,618	38,918	5,832
6/7th Cheerleaders	4,073	1,985	5,871	187
JH Cheerleaders	184	2,130	2,038	276
HS Cheerleaders	8,058	40,129	40,910	7,277
Student Council	73	2,612	1,184	1,501
Petty Cash	-	280	280	-
Athletics	11,526	80,471	64,087	27,910
Archery	1,373	16,036	12,138	5,271
Library	816	1	-	817
General Fund	732	825	899	658
Band	5,886	15,199	14,905	6,180
Elementary	2,155	2,020	2,378	1,797
Sky Box Account	13,013	3,398	2,203	14,208
Shooting Sports	2,002	278	2,233	47
Tri-County	10,046	34,755	34,989	9,812
Academic Team	-	5,939	5,067	872
	<u>\$ 81,342</u>	<u>\$ 298,142</u>	<u>\$ 280,996</u>	<u>\$ 98,488</u>

Ringling School District I-14  
Jefferson County, Oklahoma  
Supplementary Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2014</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2015</u>
<b>U.S. Dept. of Education</b>						
<i>Direct Program:</i>						
Title IX - Indian Education, Part A	84.060A	561	\$ (3,753)	\$ 15,780	\$ 19,440	\$ (7,413)
Rural Education	84.358	588	-	24,876	24,876	-
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511/515	(725)	94,736	111,794	(17,783)
Title I Cluster Total			-	94,736	111,794	(17,783)
Title II - Part A, Improving Teacher Quality through State Grants	84.367	586/541	-	13,966	21,413	(7,447)
<i>Passed Through State Department of Rehabilitation:</i>						
Job Training	84.126	456	(7,114)	3,612	3,477	(6,979)
Total U.S. Department of Education			\$ (11,592)	\$ 152,970	\$ 181,000	\$ (39,622)

See accompanying notes to schedule of expenditures of federal awards

Ringling School District I-14  
 Jefferson County, Oklahoma  
 Supplementary Schedule  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2015

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Project Number</u>	<u>Balance 6/30/2014</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance 6/30/2015</u>
<b>U.S. Department of Agriculture:</b>						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555		\$ 43,478	\$ 88,383	\$ 82,903	\$ 48,958
School Breakfast Program	10.553		<u>24,512</u>	<u>42,973</u>	<u>42,973</u>	<u>24,512</u>
Cash Assistance Subtotal			<u>67,990</u>	<u>131,356</u>	<u>125,876</u>	<u>73,470</u>
<i>Passed Through State Department of Human Services:</i>						
National School Lunch Program- Commodities	10.555		-	<u>12,318</u>	<u>12,318</u>	-
Non-Cash Assistance Subtotal			<u>-</u>	<u>12,318</u>	<u>12,318</u>	<u>-</u>
Child Nutrition Cluster Total			<u>\$ 67,990</u>	<u>\$ 143,674</u>	<u>\$ 138,194</u>	<u>\$ 73,470</u>
Total U.S. Department of Agriculture			<u>\$ 67,990</u>	<u>\$ 143,674</u>	<u>\$ 138,194</u>	<u>\$ 73,470</u>
Total Expenditures of Federal Awards			<u>\$ 56,398</u>	<u>\$ 296,644</u>	<u>\$ 319,194</u>	<u>\$ 33,848</u>

See accompanying notes to schedule of expenditures of federal awards

Ringling School District I-14  
Jefferson County, Oklahoma  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Ringling School District I-14, Jefferson County, Oklahoma. The schedule is prepared using the cash receipts and disbursements 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 indirect costs charged to the awards.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements of Ringling School District I-14, Jefferson County Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Ringling School District I-14, Jefferson County Oklahoma’s basic regulatory financial statements and have issued our report thereon dated April 6, 2016. Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting**

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

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

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



or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weakness. 2015-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2015-001, 2015-003 and 2015-004

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ringling School District I-14, Jefferson County Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-004

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

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

### **Purpose of this Report**

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

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma

April 6, 2016

Ringling School District I-14  
Jefferson County, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2015

**2015-001 Financial Reporting**

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

*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.

**2015-002 Segregation of Duties**

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

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2015

*Cause:* Limited availability of staff.  
*Effect:* Risk that errors or omissions will not be identified in a timely manner.  
*Recommendation:* We recommend that another staff member be involved in the process of handling cash that comes into the District administrative office.

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The superintendant will start opening the mail and making copies of amounts received before giving to the treasurer for deposit. He will also review the bank statements when they are received.

**2015-003 Purchasing**

*Condition:* Purchases occurred before the appropriate budgetary control was in place and approved.  
*Criteria:* Board policy requires that prior to any purchase being completed a purchase order must be issued.  
*Cause:* Failure to determine a purchase order was created and approved prior to making purchase.  
*Context:* Four out of twenty-five purchase orders tested did not have purchase orders. All four of these exceptions were in the activity fund.  
*Effect:* Lack of compliance with board policy  
*Recommendation:* We recommend that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

*Views of Responsible Officials  
and Planned Corrective*

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

**2015-004 Activity Fund Receipts**

*Condition:* All sponsors are not issuing pre-numbered receipts. Ticket reconciliations were not completed of tickets sold to revenue collected. In addition, funds are not being turned to the financial secretary timely.

Ringling School District I-14  
Jefferson County, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2015

<i>Criteria:</i>	State Department of Education regulations require all sponsors to issue pre-numbered receipts. District Policy Section C, subsection CFB requires that pre-numbered tickets for admissions be used and provide written reconciliation of tickets sold to actual revenues collected. In addition, Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.
<i>Cause:</i>	Failure to follow regulations
<i>Context:</i>	Twelve out of twenty-five receipts tested did not have proper supporting documentation. Six out of the twenty-five funds were not turned into the financial secretary daily, and which caused three of twenty-five receipts tested were not deposited within one business day based on date received by sponsor.
<i>Effect:</i>	Lack of compliance with state law and district policy
<i>Recommendation:</i>	We recommend that the following: <ol style="list-style-type: none"><li>1. Individual Receipts need to be issued for funds collected from individuals.</li><li>2. Inventory reconciliation needs to be completed for items sold at games including concessions, spirit items, t-shirts, etc.</li><li>3. Ticket reconciliation need to be completed for each activity in which pre-numbered tickets are sold. To be completed by ticket takers and at least two people and signed.</li><li>4. Remind sponsors of the board policy to remit funds daily, and thus activity fund custodian can deposit funds within one business day.</li></ol>

*Views of Responsible Officials  
and Planned Corrective*

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

Ringling School District I-14  
Jefferson County, Oklahoma  
Summary of Prior Year Findings  
For the Year Ended June 30, 2015

**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.

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

*Current Status:* Condition still exists, see current year finding 2015-001.

**2014-002 Segregation of Duties**

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

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

*Current Status:* Condition still exists, see current year finding 2015-002

**2014-003 Purchasing**

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

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

*Current Status:* Condition still exists, see current year finding 2015-003

**2014-004 Activity Fund Receipts**

*Condition:* Ticket reconciliations are not being completed as required by board policy. In addition, funds are not being turned to the financial secretary timely.

*Recommendation:* The Auditor recommended that ticket reconciliations be completed and of the requirements surrounding activity fund receipts.

*Current Status:* Condition still exists, see current year finding 2015-004

Ringling School District I-14  
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)  
For the Year Ended June 30, 2015

The District has a Public Official Position Schedule Bond with Western Surety Company. The bond number is 14259215. It covers treasurer, superintendent, student activity custodian, encumbrance clerk, and members of the Board of education for the penal sum of \$157,000 and is for the term September 13, 2014 to September 13, 2015.

Ringling School District I-14  
Jefferson County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)  
For the Year Ended June 30, 2015

State of Oklahoma )

County of Carter )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Ringling School District I-14 for the audit year 2014-2015.

RAHHAL HENDERSON JOHNSON, PLLC

*Mary E. Johnson*  
BY: \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me on this 11th day of April, 2016.

*Brenda Richardson*  
\_\_\_\_\_  
Notary Public

Commission Number: \_\_\_\_\_

My commission expires on: \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

