

Marietta School District I-16
Love County, Oklahoma
Financial Statements
Year-End June 30, 2018

Marietta School District I-16
Love County, Oklahoma
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June 30, 2018

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Independent Auditor's Report

The Honorable Board of Education
Marietta School District I-16
Marietta, Oklahoma 73448

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements of Marietta School District I-16, Love County, Oklahoma, as of and for the year ended June 30, 2018, 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 financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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 Marietta School District I-16, Love 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 Marietta School District I-16, Love County, Oklahoma as of June 30, 2018, 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 Marietta School District I-16, Love County, Oklahoma, as of June 30, 2018, 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 Marietta School District I-16 Love County, Oklahoma financial statements as a whole. The accompanying Combining Schedules of Special Revenue Fund Financial Statements – Regulatory Basis, Combining Schedule of Changes in Cash Balances – Regulatory Basis – Activity Funds is presented for purposes of additional analysis and is not required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Combining Schedules of Special Revenue Fund Financial Statements – Regulatory Basis, Combining Schedule of Changes in Cash Balances – Regulatory Basis – Activity Funds and

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

The Oklahoma Department of Education requires the statement of statutory fidelity and honesty bonds and schedule of accountant's professional liability insurance be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. We have applied certain limited procedures to this supplemental information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response 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 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 January 3, 2019, on our consideration of Marietta School District I-16 Love 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 Marietta School District I-16 Love County, Oklahoma's internal control over financial reporting and compliance.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
January 3, 2019

Marietta School District I-16
Love County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Equity
Regulatory Basis – All Fund Types and Account Groups
June 30, 2018

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (memorandum only - Note 1)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long Term Debt	June 30, 2018
ASSETS							
Cash	\$ 2,177,694	\$ 959,105	\$ 470,317	\$ 686,729	\$ 160,749	\$ -	\$ 4,454,594
Restricted Cash	-	-	-	-	-	-	-
Investments	308,414	405,745	29,000	-	-	-	743,159
Amount available in Debt service fund	-	-	-	-	-	470,317	470,317
Amount to be provided for Retirement of general long term debt	-	-	-	-	-	1,739,683	1,739,683
Total Assets	<u>\$ 2,486,108</u>	<u>\$ 1,364,850</u>	<u>\$ 499,317</u>	<u>\$ 686,729</u>	<u>\$ 160,749</u>	<u>\$ 2,210,000</u>	<u>\$ 7,407,753</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 203,659	\$ 15,775	\$ -	\$ 180,682	\$ -	\$ -	\$ 400,116
Encumbrances outstanding	443,564	41,662	-	503,686	-	-	988,912
Due to others	-	-	-	-	160,749	-	160,749
Capital leases payable	-	-	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-	2,210,000	2,210,000
Total Liabilities	<u>647,223</u>	<u>57,437</u>	<u>-</u>	<u>684,368</u>	<u>160,749</u>	<u>2,210,000</u>	<u>3,759,777</u>
Fund Equity:							
Restricted for:							
Debt service	-	-	499,317	-	-	-	499,317
Building programs	-	1,132,072	-	-	-	-	1,132,072
Child Nutrition programs	-	175,341	-	-	-	-	175,341
Capital projects	-	-	-	2,361	-	-	2,361
Undesignated	<u>1,838,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,838,885</u>
Total Cash Fund Balances	<u>1,838,885</u>	<u>1,307,413</u>	<u>499,317</u>	<u>2,361</u>	<u>-</u>	<u>-</u>	<u>3,647,976</u>
Total Liabilities and Fund Equity	<u>\$ 2,486,108</u>	<u>\$ 1,364,850</u>	<u>\$ 499,317</u>	<u>\$ 686,729</u>	<u>\$ 160,749</u>	<u>\$ 2,210,000</u>	<u>\$ 7,407,753</u>

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

Marietta School District I-16
Love County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
Regulatory Basis – All Governmental Fund Types
For the Year Ended June 30, 2018

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2018
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 1,102,995	\$ 304,975	\$ 647,288	\$ 2,360	\$ 2,057,618
Intermediate sources	222,727	-	-	-	222,727
State sources	5,515,516	49,213	-	-	5,564,729
Federal sources	542,315	335,626	-	-	877,941
Total Revenues Collected	<u>7,383,553</u>	<u>689,814</u>	<u>647,288</u>	<u>2,360</u>	<u>8,723,015</u>
Expenditures paid:					
Instruction	4,762,025	-	-	379,779	5,141,804
Support services	2,621,071	210,740	-	733,962	3,565,773
Non-Instructional services	810	464,457	-	-	465,267
Capital outlay	1,325	-	-	93,301	94,626
Other outlays	21,960	97	-	-	22,057
Debt service:					
Principal payments	-	-	535,000	-	535,000
Interest and fiscal agent fees	-	-	41,883	-	41,883
Total expenditures paid	<u>7,407,191</u>	<u>675,294</u>	<u>576,883</u>	<u>1,207,042</u>	<u>9,866,410</u>
Excess of revenues collected over (under) expenditures paid	(23,638)	14,520	70,405	(1,204,682)	(1,143,395)
Adjustments to prior year encumbrances	<u>14,897</u>	<u>-</u>	<u>-</u>	<u>4,210</u>	<u>19,107</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	(8,741)	14,520	70,405	(1,200,472)	(1,124,288)
Cash fund balances, beginning of year	<u>1,847,626</u>	<u>1,292,893</u>	<u>428,912</u>	<u>1,202,833</u>	<u>4,772,264</u>
Cash fund balances, end of year	<u>\$ 1,838,885</u>	<u>\$ 1,307,413</u>	<u>\$ 499,317</u>	<u>\$ 2,361</u>	<u>\$ 3,647,976</u>

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

Marietta School District I-16

Love 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, 2018

	General Fund				Building and Child Nutrition Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 1,847,626	\$ 1,847,626	\$ 1,847,626	\$ -	\$ 1,292,893	\$ 1,292,893	\$ 1,292,893	\$ -
Revenues collected:								
Local sources	1,058,930	1,058,930	1,102,994	44,064	344,826	344,826	304,975	(39,851)
Intermediate sources	151,678	151,678	222,727	71,049	-	-	-	-
State sources	4,984,150	4,984,150	5,515,516	531,366	43,030	43,030	49,213	6,183
Federal sources	574,967	574,967	542,315	(32,652)	338,595	338,595	335,626	(2,969)
Total Revenues Collected	6,769,725	6,769,725	7,383,552	613,827	726,451	726,451	689,814	(36,637)
Expenditures paid:								
Instruction	4,850,000	4,850,000	4,762,025	87,975	-	-	-	-
Support services	2,800,000	2,800,000	2,621,071	178,929	1,291,350	1,291,350	210,740	1,080,610
Non-Instructional services	1,000	1,000	810	190	727,894	727,894	464,457	263,437
Capital outlay	2,000	2,000	1,325	675	-	-	-	-
Other outlays	964,351	964,351	21,960	942,391	100	100	97	3
Total Expenditures paid	8,617,351	8,617,351	7,407,190	1,210,161	2,019,344	2,019,344	675,294	1,344,050
Excess of revenues collected over (under) expenditures paid	(1,847,626)	(1,847,626)	(23,638)	1,823,988	(1,292,893)	(1,292,893)	14,520	1,307,413
Adjustment to prior year encumbrances	-	-	14,897	(14,897)	-	-	-	-
Ending cash fund balances	\$ -	\$ -	\$ 1,838,885	\$ 1,838,885	\$ -	\$ -	\$ 1,307,413	\$ 1,307,413

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

Marietta School District I-16

Love 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, 2018**

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ -	\$ -	\$ 428,912	\$ 428,912
Revenues collected:				
Local sources	608,005	608,005	647,288	39,283
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Total Revenues Collected	<u>608,005</u>	<u>608,005</u>	<u>647,288</u>	<u>39,283</u>
Expenditures paid:				
Debt service:				
Principal payments	583,000	583,000	495,965	87,035
Interest and fiscal agent fees	<u>41,645</u>	<u>41,645</u>	<u>33,155</u>	<u>8,490</u>
Total expenditures paid	<u>624,645</u>	<u>624,645</u>	<u>529,120</u>	<u>95,525</u>
Excess of revenues collected over (under) expenditures paid	<u>(16,640)</u>	<u>(16,640)</u>	<u>118,168</u>	<u>134,808</u>
Ending cash balances	<u>\$ (16,640)</u>	<u>\$ (16,640)</u>	<u>\$ 547,080</u>	<u>\$ 563,720</u>

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:	529,120
Adjustments for Bond and Interest Accruals:	<u>47,763</u>
Total Expenditures Paid as reported on the State of Revenues Collected, Expenditures Paid and Changes in Fund Balances	<u>\$ 576,883</u>
Actual amounts "Ending Cash Balances" from budgetary comparison Schedule:	547,080
Adjustment for other financing source Premium on bond sale	
Adjustments for Bond and Interest Accruals:	<u>(47,763)</u>
Ending Cash Balances as reported on the State of Revenues Collected, Expenditures Paid and Changes in Fund Balances	<u>\$ 499,317</u>

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

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies

The basic financial statements of the Marietta School District Number I-16, Love County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. The Reporting Entity

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

The governing body of the District is the Board of Education composed of 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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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 Funds 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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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

Memorandum Only - Total Column

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

C. *Basis of Accounting and Presentation*

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- 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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies – (continued)

Noncash Transactions - The District received federal food commodities in the amount of \$41,852.

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

Investments – The District's investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for all amounts not covered by FDIC insurance.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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

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, 2018 is not material to the financial statements.

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

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.

E. 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 75% of the District's general fund revenue comes from state sources.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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

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, 2018, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

3. *General Long Term Debt*

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

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

3. General Long Term Debt – (continued)

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, 2018:

	<u>Bonds Payable</u>
Balance July 1, 2017	\$ 2,745,000
Additions	-
Retirements	<u>(535,000)</u>
Balance June 30, 2018	<u><u>\$ 2,210,000</u></u>

General Obligation Bonds

A brief description of the outstanding general obligations bond issues at June 30, 2018, is set forth below:

	<i>Amount Outstanding</i>
Independent School District, I-16 General Obligation Building Bonds of 2014, original issue of \$965,000, interest rates from 0.60% to 1.25%. Bond maturities begin June 1, 2016 in increments of \$235,000 per year with final maturity of \$260,000 on June 1, 2019.	\$ 260,000
Independent School District, I-16 General Obligation Building Bonds of 2017, original issue of \$1,950,000, interest rates from 1.55% to 1.75%. , Bond maturities begin June 1, 2019 in increments of \$485,000 per year with final maturity of \$495,000 on June 1, 2022.	<u>1,950,000</u> <u>\$ 2,210,000</u>

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

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>
2019	\$ 745,000	\$ 36,405	\$ 781,405
2020	485,000	24,668	509,668
2021	485,000	16,180	501,180
2022	<u>495,000</u>	<u>8,663</u>	<u>503,663</u>
Total	<u>\$ 2,210,000</u>	<u>\$ 85,916</u>	<u>\$ 2,295,916</u>

Pledged Revenues

Property Tax Revenues collected by the District are pledged to repay the District's General Obligation Bonds. As of June 30, 2018, \$2,210,000 general obligations were outstanding. Principal and interest paid for current year and revenues collected were \$535,000 and \$41,883, respectively.

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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

4. Employee Retirement System (continued)

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2018, qualifying employee contributions were reduced by a retirement credit of \$52,207 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2018, the District had a statutory contribution rate of 9.5% plus 7.80% 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, 2018, the District contributions to the System for were \$477,637.

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 \$280,569.

Pension Liability and Pension Expense

At June 30, 2018, the District's proportionate share of the net pension liability was \$6,674,531. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.10058960%, which was an 0.00113795% decrease of the proportion measured as of June 30, 2016.

For the year ended June 30 2018, the District had pension expense of \$700,429.

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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

4. Employee Retirement System (continued)

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, 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%	2.50%
Domestic Equity	38.50%	7.50%
International Equity	19.00%	8.50%
Real Estate	9.00%	4.50%
Alternative Assets	10.00%	6.10%
	<u>100.00%</u>	

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017. Previously, the System had used an 7.50% discount rate for prior year. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate share of the net pension liability	<u>\$ 9,192,924</u>	<u>\$ 6,674,531</u>	<u>\$ 4,566,347</u>

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

4. *Employee Retirement System (continued)*

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. *Other Post-Employment Benefits (OPEB)*

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers' Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS).

Plan Description – The OPEB System provides pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

Benefits Provided – All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments made on the retirees' behalf to the Employees Group Insurance Division of the Office of Management and Enterprise Services, if the member continues health coverage under that Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.15% of normal cost, as determined by an actuarial valuation.

At June 30, 2018, the District reported an asset of \$44,857 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

5. Other Post-Employment Benefits (OPEB) (continued)

At June 30, 2017, the District's proportion was 0.10058960%, as compared to its proportion share of 0.10172755% measured as of June 30, 2016.

See Note 4. Employee pension plans for Actuarial assumptions, measurement, discount rate, long-term expected rate of return and target asset allocation

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate – The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate share of the OPEB liability (asset)	\$ (1,878)	\$ (44,857)	\$ (81,604)

Due to the structure of the OPEB plan, healthcare cost trend rate sensitivity analysis is not meaningful.

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

6. 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.

7. 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.

Marietta School District I-16
Love County, Oklahoma
Notes to Combined Financial Statements
June 30, 2018

8. *Tax Abatement*

The State of Oklahoma has authorized Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce ad valorem taxes remitted to the District. For the year ended June 30, 2018, the district had approximately \$69,790 in abated ad valorem tax revenues.

9. *New GASB Standards*

GASB Statement No.75, *Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures. Furthermore, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered by trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. Since the District prepares the financials under a cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education, the net OPEB liability (asset) is not required to be presented in these financial statements, but has disclosed the District's portion of net OPEB liability (asset) in the note disclosures.

10. *Subsequent Event*

August 2018, the voters of the District approved \$1,205,000 General Obligation building bonds to renovate, repair and/or remodel the track building, as needed; construct and equip a new softball locker room buildings and to construct and install new bleachers and press box at the football field.

November 2018, the District issued \$1,205,000 of General Obligation Building Bonds of 2018. The Bonds are due \$185,000 on the 1st day of November, 2020 and \$255,000 in each of the year 2021 to 2024, both inclusive, and bearing interest from their date until paid at various rates between 2.75-3.00%, paid semi-annually on the 1st day of May and November of each year, commencing on the 1st day of May, 2020.

The District has evaluated subsequent events through January 3, 2019, the date which the financial statements were available to be issued.

Marietta School District I-16
Love County, Oklahoma
Supplementary Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Special Revenue Funds
June 30, 2018

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Special Revenue Total</u>
ASSETS			
Cash	\$ 878,173	\$ 80,932	\$ 959,105
Investments	<u>299,942</u>	<u>105,803</u>	<u>405,745</u>
Total Assets	<u>\$ 1,178,115</u>	<u>\$ 186,735</u>	<u>\$ 1,364,850</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants payable	\$ 4,881	\$ 10,894	\$ 15,775
Encumbrances outstanding	<u>41,162</u>	<u>500</u>	<u>41,662</u>
Total Liabilities	<u>46,043</u>	<u>11,394</u>	<u>57,437</u>
 Fund Equity:			
Unreserved:			
Undesignated	<u>\$ 1,132,072</u>	<u>\$ 175,341</u>	<u>\$ 1,307,413</u>
Total Cash Fund Balances	<u>1,132,072</u>	<u>175,341</u>	<u>1,307,413</u>
 Total Liabilities and Fund Equity	<u>\$ 1,178,115</u>	<u>\$ 186,735</u>	<u>\$ 1,364,850</u>

Marietta School District I-16
Love 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, 2018

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Special Revenue Total</u>
Revenues collected:			
Local sources	\$ 201,442	\$ 103,533	\$ 304,975
Intermediate sources	-	-	-
State Sources	-	49,213	49,213
Federal Sources	-	335,626	335,626
Total Revenues Collected	<u>201,442</u>	<u>488,372</u>	<u>689,814</u>
Expenditures paid:			
Instructional Services	-	-	-
Support Services	210,740	-	210,740
Non-Instructional Services	-	464,457	464,457
Capital outlay	-	-	-
Other Outlays	-	97	97
Total expenditures paid	<u>210,740</u>	<u>464,554</u>	<u>675,294</u>
Excess of revenues collected over (under) expenditures paid	<u>(9,298)</u>	<u>23,818</u>	<u>14,520</u>
Cash fund balances, beginning of year	<u>1,141,370</u>	<u>151,523</u>	<u>1,292,893</u>
Cash fund balances, end of year	<u>\$ 1,132,072</u>	<u>\$ 175,341</u>	<u>\$ 1,307,413</u>

Marietta School District I-16
Love County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
Building and Child Nutrition Funds
For the Year Ended June 30, 2018

	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	\$ 1,141,371	\$ 1,141,371	\$ 1,141,370	\$ 151,523	\$ 151,523	\$ 151,523	\$ 1,292,894	\$ 1,292,894	\$ 1,292,893
Revenues collected:									
Local sources	149,979	149,979	201,442	194,847	194,847	103,533	344,826	344,826	304,975
State sources	-	-	-	43,030	43,030	49,213	43,030	43,030	49,213
Federal sources	-	-	-	338,594	338,594	335,626	338,594	338,594	335,626
Total Revenues Collected	<u>149,979</u>	<u>149,979</u>	<u>201,442</u>	<u>576,471</u>	<u>576,471</u>	<u>488,372</u>	<u>726,450</u>	<u>726,450</u>	<u>689,814</u>
Expenditures paid:									
Instructional Services	-	-	-	-	-	-	-	-	-
Support Services	1,291,350	1,291,350	210,740	-	-	-	1,291,350	1,291,350	210,740
Non-Instructional Services	-	-	-	727,894	727,894	464,457	727,894	727,894	464,457
Capital outlay	-	-	-	-	-	-	-	-	-
Other outlays	-	-	-	100	100	97	100	100	97
Total expenditures paid	<u>1,291,350</u>	<u>1,291,350</u>	<u>210,740</u>	<u>727,994</u>	<u>727,994</u>	<u>464,554</u>	<u>2,019,344</u>	<u>2,019,344</u>	<u>675,294</u>
Excess of revenues collected over (under) expenditures paid	<u>(1,141,371)</u>	<u>(1,141,371)</u>	<u>(9,298)</u>	<u>(151,523)</u>	<u>(151,523)</u>	<u>23,818</u>	<u>(1,292,894)</u>	<u>(1,292,894)</u>	<u>14,520</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,413</u>

Marietta School District I-16
Love County, Oklahoma
Supplementary Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2018

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
YEARBOOK	\$ 20,503	\$ 14,098	\$ 24,862	\$ 9,739
ATHLETICS	21,654	33,459	49,852	5,261
BOYS BASKETBALL	1,075	3,633	3,010	1,698
GIRLS BASKETBALL	713	11,452	6,810	5,355
BASEBALL	12,321	14,758	15,207	11,871
BAND	307	5,076	5,106	277
CHOIR	322	15,089	12,457	2,953
ELEMENTARY SCHOOL	2,542	23,187	17,684	8,045
ELEMENTARY LIBRARY	8,274	16,003	16,924	7,353
FFA	20,797	90,463	100,244	11,016
FCCLA	1,187	10,513	9,665	2,036
JR. CLASS	199	18,774	18,728	245
MISCELLANEOUS	13,798	80,878	80,253	14,424
HS CHEERLEADERS	4,095	15,089	17,543	1,641
MS CHEERLEADERS	477	5,907	3,956	2,428
SCHOLARSHIPS	5,000	5,250	5,750	4,500
SPEECH	2,100	2,251	2,821	1,530
HS STUDENT COUNCIL	2,926	4,755	6,960	722
MIDDLE SCHOOL	3,403	2,803	3,662	2,544
SEWELL SCHOLARSHIP	11,089	58	1,000	10,147
SOFTBALL	5,540	21,332	6,336	20,535
HS COMPUTER LAB	659	-	-	659
T/F CLUB	4,336	33,264	33,386	4,215
MS STUDENT COUNCIL	1,359	1,146	220	2,285
HIGH SCHOOL	1,366	34	411	990
ELL	121	-	56	65
HS LIBRARY	2,407	2,902	3,209	2,100
HS ACADEMIC TEAM	22	-	-	22
MHS SIXTIES ALUMNI	168	-	-	168
PRIMARY ELEMENTARY	9,753	26,637	16,721	19,669
ELEMENTARY MUSIC	4,915	140	1,509	3,546
R WILLIS MEMORIAL ACCOUNT	1,497	3	-	1,500
CASH FOR GRADS	3,493	2,507	5,500	500
SPANISH CLUB	496	-	-	496
LITTLE INDIANS	135	-	-	135
FOOTBALL	-	1,979	1,900	79
	<u>\$ 169,050</u>	<u>\$ 463,440</u>	<u>\$ 471,741</u>	<u>\$ 160,749</u>

Marietta School District I-16
Love County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2017	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2018
U.S. Department of Interior						
<i>Passed Through Chickasaw Nation:</i>						
Johnson O'Malley	15.130	563	\$ -	\$ 2,230	\$ 4,888	\$ (2,658)
U.S. Dept. of Education						
<i>Direct Program:</i>						
Title VII - Indian Education	84.060A	561	-	25,860	25,902	(42)
Title VIII- Impact Aid	84.041	591	504,873	62,840	224,219	343,494
Title VIII-Impact Aid, Disabled	84.041	592	-	1,821	1,821	-
Total Impact Aid			504,873	64,661	226,040	343,494
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511/515		286,245	286,245	-
Special Education - Flow-Through	84.027	621	-	113,810	203,369	(89,559)
Special Education - Preschool	84.173	641	-	4,154	4,154	-
Special Education Cluster			-	117,964	207,523	(89,559)
Title III, Part A, English Language Acquisition	84.365	572	-	8,073	18,397	(10,324)
Title VI - Part B Rural Education	84.358	587	-	19,030	19,030	-
<i>Passed Through Oklahoma State Regents for Higher Education</i>						
GEAR-UP Grant	84.334	771	5,665	18,235	23,029	871
Total U.S. Department of Education			\$ 510,538	\$ 540,068	\$ 806,166	\$ 244,440

Marietta School District I-16
Love County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2017	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2018
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
Cash Assistance:						
National School Lunch Program	10.555	763		270,230	270,230	-
School Breakfast Program	10.553	764	-	65,396	65,396	-
Cash Assistance Subtotal:			-	335,626	335,626	-
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance (Commodities)						
National School Lunch Program	10.555		-	41,852	41,852	-
Non-Cash Assistance Subtotal:			-	41,852	41,852	-
Child Nutrition Cluster			-	377,478	377,478	-
Total U.S. Department of Agriculture			\$ -	\$ 377,478	\$ 377,478	\$ -
Total Expenditures of Federal Awards			\$ 510,538	\$ 919,776	\$ 1,188,532	\$ 241,782

Marietta School District I-16
Love County, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Marietta School District I-16 Love County, Oklahoma under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marietta School District I-16 Love County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Marietta School District I-16 Love County, Oklahoma.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on using the cash basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

Note C: Indirect Cost Rate

Marietta School District I-16 Love County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Subrecipients

Marietta School District I-16 Love County, Oklahoma did not have any awards that have been passed through to subrecipients.

Note E: Transfers between Federal Programs

Marietta School District I-16 Love County, Oklahoma received \$36,298 for program CFDA#84.367 Title II, Part A funds, which were allowed to be transferred to be used for Title I CFDA#84.010, and thus was reported above in the Title I revenues agree with corresponding expenditures.

**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
Marietta School District I-16
Marietta, Oklahoma 73448

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the accompanying fund type and account group financial statements of Marietta School District I-16, Love County Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Marietta School District I-16, Love County Oklahoma's regulatory financial statements and have issued our report thereon dated January 3, 2019. 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 of the financial statements, we considered Marietta School District I-16 Love 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 Marietta School District I-16 Love County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Marietta School District I-16 Love County, Oklahoma's internal control.

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

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2018-001 thru 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marietta School District I-16, Love County Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-002, 2018-003, 2018-004 and 2018-005.

Marietta School District I-16, Love County Oklahoma's Response to Findings

Marietta School District I-16, Love County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marietta School District I-16, Love 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.



Ardmore, Oklahoma

January 3, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education
Marietta School District I-16
Marietta, Oklahoma 73448

Report on Compliance for Each Major Federal Program

We have audited Marietta School District I-16, Love County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marietta School District I-16, Love County, Oklahoma's major federal programs for the year ended June 30, 2018. Marietta School District I-16, Love County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marietta School District I-16, Love County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marietta School District I-16, Love County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marietta School District I-16, Love County, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, Marietta School District I-16, Love County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-006, 2018-007 and 2018-008. Our opinion on each major federal program is not modified with respect to these matters.

Marietta School District I-16, Love County, Oklahoma's response to these noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marietta School District I-16, Love County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Marietta School District I-16, Love County, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marietta School District I-16, Love County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marietta School District I-16, Love County, Oklahoma's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-006, 2018-007 and 2018-008 that we consider to be significant deficiencies.

Marietta School District I-16, Love County, Oklahoma's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marietta School District I-16, Love County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mary C. Johnson & Associates PLLC". The signature is written in a cursive, flowing style.

Ardmore, Oklahoma
January 3, 2019

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements:

Type of audit report:	Qualified Opinion Regulatory Basis
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ <u> X </u> Yes _____ No
Noncompliance material to financial statement	_____ <u> X </u> Yes _____ No

Federal Awards:

Internal control over major program:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ <u> X </u> Yes _____ No

Type of auditors' report issued on compliance for major programs:	Unmodified Opinion
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ <u> X </u> Yes _____ No
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and Type B	\$ 750,000
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Auditee qualified as a low-risk auditee?	_____ Yes <u> X </u> No
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Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

2018-001 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.

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

2018-002 Activity Fund Receipts

Condition: Proper documentation was not kept or completed to support the amount of funds being remitted to activity fund custodian. In addition, funds are not being turned in timely to activity fund custodian to ensure timely deposits.

Criteria: State Department of Education regulations require receipts to be issued for all revenues received. 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.

Context: Eight out of Twenty Five receipts tested did not have proper documentation that supported the activity fund custodian receipt, (i.e. inventory reconciliation of items sold or supporting receipts). One out of twenty-five receipts tested did not remit funds to activity fund custodian timely.

Cause: Failure to follow State regulations and statutes

Effect: Lack of compliance with state regulations and statutes and risk of misappropriation of assets

Recommendation: We recommend that the following policies and procedures be implemented

1. Inventory/Items Sold Reconciliations needs to be completed if individual receipts are not issued.
2. Teacher/Sponsor Receipts are totaled and reconciled to cash when deposited with District activity fund custodian. To ensure all items are in agreement.
3. Remind sponsors of state statutes requiring the timely deposits and they need to remit funds daily to activity fund custodian.

*Views of Responsible Officials
and Planned Corrective*

Action: November 2018, the District has been working with staff on getting inventory/item sold reconciliations completed and receipts issued for all revenues. District has also reminded staff of the district requirements of timely deposits.

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

2018-003 Purchasing Policy

Condition: Written District purchasing policy is not being followed.

Criteria: Board Policy CHC-R requires written price quotes between \$3,500 and \$50,000 and secure sealed bids on items more than \$50,000.

Context: Three out of twenty four purchase orders tested did not follow district purchasing policy. All exceptions were construction/building improvement type projects.

Cause: Failure to follow District policies

Effect: Lack of compliance with board policy and risk of misappropriation of assets

Recommendation: We recommend that all employees be made aware of purchasing requirements per District policy. In addition, District needs to monitor projects that need to be completed before year end, so there is adequate time to properly obtain quotes or bids.

Views of Responsible Officials and Planned Corrective Action: District is in agreement with recommendation and will work towards improving compliance in this area.

2018-004 Receipt of Goods

Condition: Evidence of receipt of goods/services was not documented

Criteria: District policy and State Statute Title 62.2-310.1a requires employees receiving satisfactory delivery of merchandise shall acknowledge such fact by signing the invoice or delivery ticket.

Context: One of twenty five purchase orders tested did not follow District purchasing policy.

Cause: Failure to follow District policies and state law.

Effect: Lack of compliance with board policy and state statutes, and risk of misappropriation of assets

Recommendation: We recommend that procedures be reinforced to the District staff, to ensure that proper documentation of receipt is obtained before invoices are processed for payment.

Views of Responsible Officials and Planned Corrective Action: District is in agreement with recommendation and will work towards improving compliance in this area.

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

2018-005 Non-kickback Affidavits

<i>Condition:</i>	Evidence of Non-kickback affidavits were not obtained prior to payment of services/goods.
<i>Criteria:</i>	District policy CDA-Section III(f) and State Statute Title 62.2-310.9 requires each invoice submitted to the school district for payment to an architect, contractor, engineer, or supplier of material in the amount of twenty-five thousand dollars (\$25,000) or more, shall be accompanied by a non-kickback affidavit.
<i>Context:</i>	Three of twenty four purchase orders tested did not non-kickback affidavit for invoices paid.
<i>Cause:</i>	Failure to follow District policies and state law.
<i>Effect:</i>	Lack of compliance with board policy and state statutes.
<i>Recommendation:</i>	We recommend that procedures be reinforced to the District staff, to ensure that proper documentation of non-kickback affidavit is obtained prior to payment of invoices.
<i>Views of Responsible Officials and Planned Corrective Action:</i>	
<i>Action:</i>	District is in agreement with recommendation and will work towards improving compliance in this area.

Section III – Federal Award Findings and Questioned Costs

U.S. Department of Education

2018-006 Impact Aid CFDA#84.041

<i>Condition:</i>	Impact Aid Monies from previous years earned interest in excess of amounts allowed for federal monies.
<i>Criteria:</i>	2 CFR 200.305(b) Non-federal entities must minimize time elapsing between the transfer of funds from the U.S. Treasury and disbursements. 2 CFR 200.305(b) (9) interest earned amounts up to \$500 per year may be retained by the Non-federal entity for administrative expenses. Any additional interest earned shall be remitted annually to the Feds.
<i>Context:</i>	District held federal funds in interest bearing accounts and earned interest in excess of \$500. Estimated \$3,000 interest is due to Fed, due to condition noted above.
<i>Cause:</i>	District was not aware of requirements of cash management of federal fund advances in prior year and deposited into building fund in prior year. Due to additional restriction of approved uses

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

of Building Fund by state law, spending down the Impact Aid funds is taking time.

Effect: Risk of noncompliance with federal regulations and misappropriation of assets.

Recommendation: We recommend that procedures be implemented to monitor the interest earned on federal funds until all funds have been spent by the District.

*Views of Responsible Officials
and Planned Corrective*

Action: District is working on spending down the federal funds, and will monitor that future receipt of advanced federal funds are spent the same year as receipt.

U.S. Department of Agriculture

Passed through Oklahoma State Department of Education

2018-007 Child Nutrition Cluster – School Breakfast Program and National School Lunch Program – CFDA #10.553 & 10.555

Condition: Meal count submitted was not in agreement with supporting records.

Criteria: 7 CFR Chapter 2 Section 210.8(a) Claims for reimbursement: *Internal Controls*--The School food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly claim for reimbursement.

Context: Two months of a 3 month sample in a population of 12, over claimed meals served in categories: reduced and full pay. This resulted in an estimated error of \$306 due to condition noted above.

Cause: The District's edit check report was not reconciled to the amounts claimed and supplement report related to 4 year old program meals included in count were not properly supported.

Effect: Over claim of meals served and claimed.

Recommendation: We recommend procedures need to be implemented to ensure secondary review of supporting reports to final claim amount, before claims are finalized and submitted.

*Views of Responsible Officials
and Planned Corrective*

Action: November 2018, Child Nutrition Director after preparing claim, will have their assistant initial and date claim that supporting

Marietta School District I-16
Love County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

reports are in agreement with final meal counts, before submitting claim to the State department.

U.S. Department of Agriculture

Passed through Oklahoma State Department of Education

2018-008 Child Nutrition Cluster – School Breakfast Program and National School Lunch Program – CFDA #10.553 & 10.555

<i>Condition:</i>	Incorrect eligibility determined based on application
<i>Criteria:</i>	7 CFR Chapter 2 Section 245.6c Determination of Eligibility: the local education agency must determine household eligibility for free or reduced priced meals either through direct certification or the application process at or about the beginning of the school year.
<i>Context:</i>	One out of forty applications tested had incorrect eligibility determined due to incorrect household sized used by office to what was actually recorded on the application. This resulted in an estimated error of \$832 due to condition.
<i>Cause:</i>	One individual recaps the application information into an office use section, which then the office use section is used to input into the computer system. During transfer of information from application to office use section, household size of 6 was inadvertently entered as 7, and thus application was determined as reduced instead of full pay based on the income and household size of 6.
<i>Effect:</i>	Over or under reimbursement from Federal Government due to inaccurate eligibility determined.
<i>Recommendation:</i>	We recommend procedures need to be implemented to ensure secondary review of data entry between the application and computer system, to ensure amount are properly supported.
<i>Views of Responsible Officials and Planned Corrective Action:</i>	
<i>Action:</i>	November 2018, any applications received will be reviewed by second person once entered into system to ensure data has been properly transferred from application to office use section and eligibility properly determined. Applications must be taken at face value, but any conflicting information, can be clarified.

Marietta School District I-16
Love County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2018

Financial Statement Findings

2017-001 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 2018-001

2017-002 Segregation of Duties-Encumbrance Clerk

Condition: Encumbrance clerk currently has the ability to initiate purchase order, process invoices, receive goods and print checks and sign checks.

Recommendation: The Auditor recommended that controls over the signature stamp be changed. The encumbrance clerk should not have access to the signature stamp. The treasurer should control the stamp after reviewing invoices to be paid.

Current Status: Condition has been resolved

2017-003 Segregation of Duties – Treasurer

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 open the mail and prepare a mail log of checks received. Then the checks received can be given to the treasurer for deposit. Then at month-end, someone other than the treasurer needs to reconcile the mail log to the deposits on the bank statement.

Current Status: Condition has been resolved

Marietta School District I-16
Love County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2018

2017-004 Activity Fund Receipts

Condition: Proper documentation was not kept or completed to support the amount of funds being remitted to activity fund custodian. In addition, funds are not being turned in timely to activity fund custodian to ensure timely deposits.

Recommendation: The Auditor recommended that the following policies and procedures be implemented

1. Ticket Reconciliations need to be completed for all events and pre-numbered tickets need to be issued and reconciled to revenues collected. Reconciliation needs to be completed by ticket takers and at least two people and signed.
2. Inventory/Items Sold Reconciliations needs to be completed if individual receipts are not issued.
3. Remind sponsors of state statutes requiring the timely deposits and they need to remit funds daily to activity fund custodian.

Current Status: Condition still exists see 2018-002

2017-005 Purchases

Condition: During auditing procedures it was determined District was not following written policy.

Recommendation: The Auditor recommended that all employees be made aware of purchasing requirements per District policy.

Current Status: Condition still exists see 2018-003

2017-006 Retirement Not Paid

Condition: During auditing procedures it was determined District did not pay retirement on stipends. In addition, retirement was not paid on federal funds.

Recommendation: The Auditor recommended that procedures be implemented monthly to monitor funds which are subject to retirement have had the proper retirement calculated and paid.

Current Status: Condition has been resolved

**Marietta School District I-16
Love County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2018**

Federal Award Findings and Questioned Costs

U.S. Department of Education

2017-007 Impact Aid CFDA#84.041

Condition: Impact Aid Monies were received by the District and not entirely spent by the District and just held in interest bearing account.

Recommendation: The Auditor recommended that procedures be implemented to ensure that federal funds are spent timely to reduce the time elapsing of federal funds.

Current Status: Condition still exists see 2018-006

U.S. Department of Agriculture

Passed through Oklahoma State Department of Education

2017-008 Child Nutrition Cluster – School Breakfast Program and National School Lunch Program – CFDA #10.553 & 10.555

Condition: Meal count submitted was not in agreement with supporting records.

Recommendation: The Auditor recommended procedures need to be implemented to ensure that duplicate meals are not computed and included in the count.

Current Status: Condition still exists see 2018-007

Marietta School District I-16
Love County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2018

The treasurer is bonded by The Ohio Casualty Company, bond number LSF041298 for the penal sum of \$100,000, term beginning July 1, 2017 and ending June 14, 2018. The treasurer is bonded by The Ohio Casualty Company, bond number 601135869 for the penal sum of \$100,000, term beginning June 14, 2018 and ending June 30, 2018. This is a renewal of a continuous bond.

The Superintendent, encumbrance clerk, minutes clerk, encumbrance clerk and activity fund custodian are bonded by Western Surety Insurance Company, bond number 70761294 for the penal sum of \$100,000 term beginning July 1, 2017 and ending July 1, 2018. This is a renewal of a continuous bond.

The deputy treasurer is bonded by The Ohio Casualty Company, bond number LSF041297 for the penal sum of \$100,000, term beginning July 1, 2017 and ending June 14, 2018. The deputy treasurer is bonded by The Ohio Casualty Company, bond number 60113587 for the penal sum of \$100,000, term beginning June 14, 2018 and ending June 30, 2018 This is a renewal of a continuous bond.

Marietta School District I-16
Love County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2018

State of Oklahoma)

County of Love)

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 Marietta School District I-16 for the audit year 2017-2018.

MARY E. JOHNSON & ASSOCIATES, PLLC

Mary E. Johnson

BY: _____

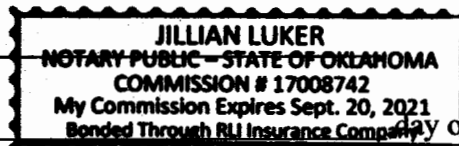
Authorized Agent

Subscribed and sworn to before me on this 28th day of January, 2019.

Jillian Luker
Notary Public

Commission Number: _____

My commission expires on: _____



of, _____, 20__.

Marietta Public Schools

800 South 4th Avenue

Marietta, OK 73448

(580) 276-9444

CORRECTIVE ACTION PLAN

January 22, 2019

U.S. Department of Education

Marietta School District I-16, Love County, Oklahoma, respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Mary E. Johnson & Associates, PLLC

2007 N. Commerce #200

Ardmore, OK 73401

Audit Period: Year Ended June 30, 2018

The findings from the year ended June 30, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule

FINDINGS-FINANCIAL STATEMENT AUDIT

2018-001 Financial Reporting

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.

Action Taken: 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.

2018-002 Activity Fund Receipts

Recommendation: We recommend that the following policies and procedures be implemented

1. Inventory/Items Sold Reconciliations needs to be completed if individual receipts are not issued.
2. Teacher/Sponsor Receipts are totaled and reconciled to cash when deposited with District activity fund custodian. To ensure all items are in agreement.
3. Remind sponsors of state statutes requiring the timely deposits and they need to remit funds daily to activity fund custodian.

Action Taken: November 2018, District has been working with staff on getting inventory/item sold reconciliations completed and receipt issued for all revenues. District has also reminded staff of the district requirements of timely deposits.

2018-003 Purchasing Policy

Recommendation: We recommend that all employees be made aware of purchasing requirements per District policy. In addition, District needs to monitor projects that need to be completed before year end, so there is adequate time to properly obtain quotes or bids.

Action Taken: November 2018, District is revising purchasing policy for clarity and reminding staff of purchasing requirements.

2018-004 Receipt of Goods

Recommendation: We recommend that procedures be reinforced to the District staff, to ensure that proper documentation of receipt is obtained before invoices are processed for payment.

Action Taken: November 2018, District reminding staff to make sure receipt of goods/services is documented and obtained prior to payment.

2018-005 Non-kickback Affidavits

Recommendation: We recommend that procedures be reinforced to the District staff, to ensure that proper documentation of non-kickback affidavit is obtained prior to payment of invoices.

Action Taken: November 2018, District reminded staff of the requirement, and make sure affidavit is obtained prior to payment.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

U.S. DEPARTMENT OF EDUCATION

2018-006 Impact Aid CFDA#84.041

Recommendation: We recommend that procedures be implemented to monitor the interest earned on federal funds until all funds have been spent by the District.

Action Taken: November 2018, District is working with Feds to remit the interest that is owed to the Feds. District is working on spending down the federal funds that have accumulated, and tracking interest earned on such funds. Also new federal impact aid monies received in fiscal year 2018 were spent in 2018.

U.S. DEPARTMENT OF AGRICULTURE

2018-007 Child Nutrition Cluster – School Breakfast Program and National School Lunch Program – CFDA #10.553 & 10.555

Recommendation: We recommend procedures need to be implemented to ensure that duplicate meals are not computed and included in the count.

Action Taken: November 2018, Child Nutrition director after preparing claim, will have their assistant initial and date claim that supporting reports are in agreement with final meal counts, before submitting claim to the State department.

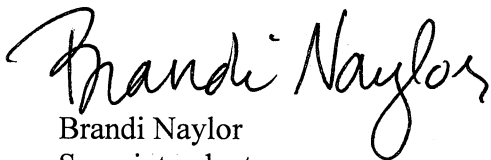
2018-008 Child Nutrition Cluster – School Breakfast Program and National School Lunch Program – CFDA #10.553 & 10.555

Recommendation: We recommend procedures need to be implemented to ensure secondary review of data entry between the application and computer system, to ensure amounts are properly supported.

Action Taken: November 2018, any application received will be reviewed by second person once entered into system to ensure data has been properly transferred from application to office use section and eligibility properly determined.

If the U.S. Department of Education has questions regarding this plan, please call Brandi Naylor, (580)276-9444

Sincerely yours,



Brandi Naylor
Superintendent
Marietta Public School District I-16
Love County, Oklahoma