

**FINANCIAL STATEMENTS – REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**ALBION DEPENDENT SCHOOL DISTRICT NO. C-2,  
PUSHMATAHA COUNTY, OKLAHOMA**

**JUNE 30, 2019**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2019

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ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
JUNE 30, 2019

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

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### INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Albion School District Number C-2  
Albion, Pushmataha County, Oklahoma

#### Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Albion School District Number C-2, Albion, Pushmataha County, Oklahoma (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

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

In our opinion, because the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance

with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

**Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

**Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of the District, as of June 30, 2019, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

**Substantial Doubt about the District’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 8 to the financial statements, the District has a deficit fund balance in the General Fund of \$(40,777) as of June 30, 2019 and has had a decrease in fund balance for six of the last eight years. These conditions raise substantial doubt about the District’s ability to continue as a going concern. Management plans regarding these matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

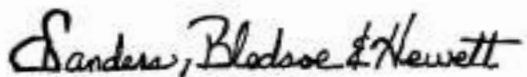
**Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2020 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

April 17, 2020



# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

The Honorable Board of Education  
Albion School District Number C-2  
Albion, Pushmataha County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the Albion School District Number C-2, Albion, Pushmataha County, Oklahoma (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 17, 2020, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

#### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses may exist that have not been identified. We did identify certain deficiencies in the internal control, described in the accompanying schedule of audit results, findings and questioned costs, that we consider to be material weaknesses, as items 2019-1, 2019-2, 2019-3, 2019-4, 2019-5, 2019-6, 2019-7, 2019-8 and 2019-9.

## **Compliance and Other Matters**

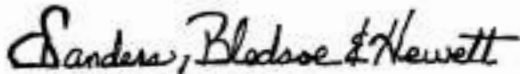
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements 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 audit results, findings and questioned costs as items 2019-1, 2019-2, 2019-3, 2019-4, 2019-5, 2019-6, 2019-7, 2019-8 and 2019-9.

## **District's Response to Findings**

The District's response to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit on the financial statements and accordingly, we express no opinion on the response.

## **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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

April 17, 2020

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
JUNE 30, 2019

**2018-1**

*Condition:* Several activity fund purchase orders were dated after the supporting invoice date, indicating that the purchase was approved after the purchase was already made. Part of an effective purchasing and budgeting system includes approval of purchases before the purchase is made.

*Disposition:* This finding continued in the current fiscal year.

**2018-2**

*Condition:* General fund expenditures exceeded appropriations. Expenditures of \$692,840.48 were made versus available appropriations of \$689,293.63.

*Disposition:* This finding continued in the current fiscal year.



ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019

**Section 1** – Summary of Auditor’s Results:

1. An adverse opinion was issued on the combined financial statements in conformity with generally accepted accounting principles, and a qualified opinion was issued for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit disclosed nine significant deficiencies in the internal controls, items 2019-1, 2019-2, 2019-3, 2019-4, 2019-5, 2019-6, 2019-7, 2019-8 and 2019-9, which are considered material weaknesses.
3. The audit disclosed nine instances of noncompliance, items 2019-1, 2019-2, 2019-3, 2019-4, 2019-5, 2019-6, 2019-7, 2019-8 and 2019-9.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS:

**FINDING 2019-1 – EXCEEDED APPROPRIATIONS**

*Condition:* We observed during the audit that the general fund had issued checks totaling \$658,661 at June 30, 2019. However, the appropriation balance for the general fund at June 30, 2019 was only \$488,790. Therefore, expenditures had exceeded appropriations by \$169,871 at June 30, 2019. In addition, the general fund had a year-end deficit fund balance of \$(40,777).

*Criteria:* Oklahoma State Statutes prohibit a school from expending more than their approved appropriations. School districts should also maintain a positive fund balance at all times.

*Cause / Effect:* Proper procedures were not in place to monitor budgeted appropriations and actual expenditures. The District was in violation of state law when the general fund expenditures exceeds the approved appropriation balance. In addition, since there is a deficit fund balance, future fiscal year revenues will now have to pay for the previous year’s obligations.

*Recommendation:* We recommend that the District implement procedures to ensure that only the original legal appropriations set forth in the Estimate of Needs plus any added appropriations, which have been properly approved, be included in the District’s

encumbrance and appropriations ledger. The appropriations ledger should be reconciled periodically with expenditure reports to ensure that expenditures do not exceed appropriations at any time, in any fund, during the year, and to ensure that the fund balance does not end the year with a deficit, as required by Oklahoma Statutes.

Response: (attached)

## **FINDING 2019-2 – FINANCIAL RECONCILIATIONS**

Condition: During our estimate of needs and final audit work, we observed that the bank balances were not properly reconciled to the accounting records each month. Because of this, unidentified adjustments were made to the financial statements in order to reconcile, and incorrect OCAS financial information was submitted to the State Department of Education.

Criteria: A good system of internal control and sound accounting practices require that bank statements be reconciled to the accounting records in a timely manner, and as required by Oklahoma Statutes. In addition, the District's OCAS data submitted to the State Department of Education must match the estimate of needs and the audited financial statements.

Cause / Effect: The District did not have procedures in place to adequately review and reconcile revenues and expenditures. Failure to reconcile the bank statements to the accounting records in a timely manner increases the risk of error, fraud, and inaccurate financial information, which will not be detected in a timely manner. This also increases the risk of financial information not being coded to the proper OCAS code, therefore misreporting financial information to the Oklahoma State Department of Education. While preparing the District's estimate of needs and while reviewing the District's financial statements, we noted several OCAS discrepancies. These included errors in the codes used and in the amounts reported via OCAS. The fund balances originally reported did not match the amounts on the estimate of needs or on the financial statements. It does appear that most of these issues were corrected prior to District's final OCAS submission.

Recommendation: We recommend that procedures be implemented that would require the bank statements be reconciled monthly and that an individual that is independent of the process review the reconciliations for accuracy and completeness. In addition, the district treasurer or other school personnel should review their OCAS coding to ensure it is correct.

Response: (attached)

### **FINDING 2019-3 – IRS PENALTIES**

Condition: The District received invoices from the Internal Revenue Service for penalties and interest for late payments and related W-2 filings. The years referenced on the invoices were for the 2012-2016 tax years. The total amount of these invoices was \$131,767. These invoices had not been paid as of the date of our audit report.

Criteria: Internal Revenue Service *Publication 15 Employers Tax Guide (Circular E)*, establishes rules to determine what type of depositor an entity is and when tax withholding deposits are due. In addition, year-end forms, should be submitted to the IRS by January 31 following the year covered.

Cause / Effect: The District did not have good controls over the payroll function, and therefore, by not paying the withholding taxes in a timely manner, the District will be subjected to penalty assessments and interest.

Recommendation: We recommend the District implement procedures where an individual independent of the payroll function, review the monthly payroll registers and reconciliations, and/or submits, the applicable withholdings to the Internal Revenue Service through the *Electronic Funds Transfer Payment System*, as required, and reconcile the monthly withholdings to ensure that withholding are being paid in timely manner. Further, we recommend that the District contact the IRS to resolve any past due obligations.

Response: (attached)

### **FINDING 2019-4 – Activity Funds**

Condition: When testing the activity fund receipting procedures, we noted there is not a clear audit trail from when collections are made to the corresponding bank deposit. There were sponsors who were not using District provided receipt books, or receipt books were not available for review, and the activity fund custodian was not properly receipting collections from sponsors in a timely manner.

Criteria: Oklahoma Statutes (70 O.S. Section 5-129) require that pre-numbered receipts be issued each year for every account, and that deposits be made daily if over \$100, but never less than once per week regardless of amount.

Cause / Effect: Proper procedures were not being followed for the activity fund functions. In addition, due to sponsors not following procedures for receipting and depositing collections, and having a limited number of personnel available to properly segregate duties, an increase in the risk of money being misplaced or stolen exists.

Recommendation: We recommend that all activity funds collected be receipted in pre-numbered receipt books, with a receipt copy being issued to any student or patron from whom money is received, and all receipt books be kept on file for review. Further, we recommend that sponsor receipt books be checked in/out to sponsors at the beginning/end of each year and a log be used to record the checking in/out of receipt books. In addition, when sponsors turn over daily collections to the activity fund custodian, the sponsor should be provided a receipt. We recommend that the activity fund collection/receipts processes and procedures be reexamined and improved upon.

Response: (attached)

## **FINDING 2019-5 – ACCOUNTING RECORDS**

Condition: There were several items requested for the audit that we were unable to examine. Since certain accounting records could not be located, we are unable to express an opinion on the District's compliance or noncompliance in these areas. The records that could not be located or were only partially available were:

- Federal claims for reimbursement and supporting documentation related to each federal program
- Child nutrition monthly records (4 out of 10 months were available)
- Employment contracts and extra duty contracts for all District employees
- 12 of the 30 General Fund purchase orders selected for review could not be located
- An earnings report showing each employee's wages and benefits paid
- Payment registers and various expenditure reports from the District accounting software

Criteria: Oklahoma Statutes require each school district to have an annual independent audit. Records should be properly maintained by the District to ensure any records requested by the auditor can be examined.

Cause / Effect: The office staff employed during the 2018-19 fiscal year no longer works for the District. Efforts were made to search for all the records requested, however, there were several items that could not be located. In addition, the District's software (ADPC) could not be accessed to run needed accounting reports. The District switched to a different software in the 2019-20 fiscal year and could no longer access the old software. Year-end reports should have been printed as part of the year-end closeout, however, they were not located during the audit.

Recommendation: We recommend that procedures be put in place to ensure that accounting records are properly maintained and filed in a manner where they are easily located. Training should be provided to all current and new employees so that they understand the importance of record keeping and are aware of what records need to be on file and the rules for record retention.

Response: (attached)

## **FINDING 2019-6 – PURCHASE ORDERS**

Condition: As noted earlier, we could not locate 12 of the 30 purchase orders we selected for review. Overall, the purchase orders were not well organized or properly filed. From the purchase orders we were able to review, we made the following observations:

- Most of the purchase orders were not encumbered against available appropriations prior to the obligations being incurred
- Some of the invoices were not signed received by a District employee
- Travel reimbursements for employee meals did not always list all the persons in attendance at the meal
- There was not a clear purpose for all travel related expenditures documented with the purchase order

Criteria: All District obligations should be encumbered prior to the actual purchase of materials or services, as required by Oklahoma Statutes. Also, purchase orders should never be dated anything other than the actual date they are issued. All expenditures should be properly authorized, adequate support be obtained and attached to the purchase order. In addition, all invoices or delivery tickets should be signed and dated when the merchandise is received, as required by Oklahoma Statutes.

All travel reimbursements should have proper supporting documentation, which would include the trip purpose, the names of all employees or students attending the meal/event, and a detailed receipt listing all items that are claimed for reimbursement.

Cause / Effect: Proper procedures were not in place over the accounts payable function for both the appropriated and activity fund purchases. This increases the risk that a misappropriation of assets will occur and not be detected whether due to error or fraud.

Recommendation: We recommend that the District enforce policies and procedures which require purchase orders be encumbered prior to the obligation being incurred, proper approval of the expenditure, original documentation be obtained, invoices be signed as received, the face of the purchase order reflect the total amount actually paid, and the check number(s) be recorded on the purchase order.

For employee travel, we always stress the importance of each expenditure being able to “tell the complete story” of the trip (who went, where did they go, who went with them, for how long, what was purchased, etc.). For meals and hotel expenditures, we recommend that a listing of all students (team roster) and employees be included that reconciles to the amount of meals purchased and/or the number of hotel rooms purchased. Also, the purpose of the trip, the trip date ranges and the trip destinations should all be

included in the supporting documentation. When possible, an agenda or itinerary should be attached to show proof of attendance.

Response: (attached)

#### **FINDING 2019-7 – BOARD MINUTES**

Condition: There were several board meetings that we were unable to determine if the regularly scheduled or special meeting actually took place, or if they were cancelled due to lack of quorum. In addition, the minutes that were available did not provide sufficient detail concerning the business to be transacted.

Criteria: Board meeting agendas and minutes should be permanently kept on file and available for review. If a meeting is cancelled or rescheduled, it should be clearly stated in the minutes file and proper notice should be filed with the county clerk. Board minutes should also provide sufficient detail concerning the business to be transacted.

Cause / Effect: Because these records could not be examined and were not properly detailed, we were unable to determine if the school district was in compliance with the Open Meeting Law.

Recommendation: We recommend that all board minutes and agenda be properly filed and made available for review and proper documentation should be made if a meeting is cancelled or rescheduled. Further, we recommend that the board of education review the open meeting requirements and follow the applicable procedures detailed therein.

Response: (attached)

#### **FINDING 2019-8 – FEDERAL PROGRAMS**

Condition: We observed during the audit that there were not any allowable expenditures for the Indian Education Program to support the amounts received, as there were no expenditures coded to that program according to OCAS. In addition, the expenditures coded to the Title I Program, according to OCAS, did not reflect the actual amount of expenditure claims submitted.

Criteria: The compliance requirement for cash management states that District funds must actually be paid for before reimbursement is requested, or when monies are drawn in advance, a minimal amount of time (3 days) should elapse before the transfer of funds and disbursement. Further, the amounts reported on the SEFA should match the amounts reported to OCAS, per State Department of Education requirements.

Cause / Effect: Internal controls over the proper review of expenditure claims before drawing down funds or submitting expenditure data to the State were inadequately designed. Because of the lack of internal controls procedures, the District incorrectly drew down \$14,373 of federal funds (Indian Education). In addition, the lack of controls allowed for inaccurate OCAS data to be submitted to the State Department of Education.

Recommendation: We recommend that the District establish a procedure which requires that an employee (other than the one filing the claims) perform a reconciliation periodically during the year, and at the end of the fiscal year, between the expenditures claimed for reimbursement and the expenditures actually coded to the program's project code on the detailed expenditure reports. Further, we recommend that funds from federal programs not be requested unless that amount of expenditures has been met or exceeded, or can be met within a few days of the request date.

### **FINDING 2019-9 – ADMINISTRATIVE COSTS**

Condition: The District exceeded its allowable administrative costs and was assessed a \$38,394 penalty by the State Department of Education. Total administrative costs, according to OCAS, was \$96,881. Allowable administrative costs for the District was \$58,487.

Criteria: The State Department of Education computes administrative costs and calculates the penalty using the definitions under Oklahoma Statute Title 70, Sec 18-124.

Cause / Effect: Procedures were not in place to monitor the administrative costs in relation to total expenditures. The District's administrative cost percentage was 13.25%, which exceeded the 8% allowable percentage for school districts with under 500 average daily attendance.

Recommendation: We recommend that procedures be implemented to ensure that administrative costs do not exceed what is allowable under Oklahoma Statutes. The District should review what salaries are being coded as administrative costs (OCAS function code 2300) and determine what steps can be taken to reduce these costs.

Response: (attached)

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2 , PUSHMATAHA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2019

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	FUND TYPES EXPENDABLE TRUSTS AND AGENCY FUNDS	GROUP GENERAL LONG-TERM DEBT	
<u>ASSETS</u>							
Cash and investments	\$ (27,842)	25,363	32,811	87,532	8,221		126,085
Amounts available in debt service						32,811	32,811
Amount to be provided for retirement of long-term debt						97,189	97,189
Total Assets	<u>\$ (27,842)</u>	<u>25,363</u>	<u>32,811</u>	<u>87,532</u>	<u>8,221</u>	<u>130,000</u>	<u>256,085</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Warrants payable	\$ 12,935						12,935
Funds held for school organizations					8,221		8,221
Long-term debt:							
Bonds payable						130,000	130,000
Total liabilities	<u>12,935</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,221</u>	<u>130,000</u>	<u>151,156</u>
Fund Balance:							
Restricted		25,363	32,811	87,532			145,706
Unassigned	(40,777)						(40,777)
Cash fund balances	<u>(40,777)</u>	<u>25,363</u>	<u>32,811</u>	<u>87,532</u>	<u>0</u>	<u>0</u>	<u>104,929</u>
Total Liabilities and Fund Balance	<u>\$ (27,842)</u>	<u>25,363</u>	<u>32,811</u>	<u>87,532</u>	<u>8,221</u>	<u>130,000</u>	<u>256,085</u>

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



ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN  
 CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues Collected:					
Local sources	113,629	15,822	32,575		162,026
Intermediate sources	6,859				6,859
State sources	408,022				408,022
Federal sources	156,429		4		156,433
Interest earnings	184				184
Non-revenue receipts	758				758
Total revenues collected	<u>685,881</u>	<u>15,822</u>	<u>32,579</u>	<u>0</u>	<u>734,282</u>
Expenditures:					
Instruction	316,010				316,010
Support services	276,685	21,804		42,468	340,957
Operation of non-instructional services	65,966				65,966
Total expenditures	<u>658,661</u>	<u>21,804</u>	<u>0</u>	<u>42,468</u>	<u>722,933</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	27,220	(5,982)	32,579	(42,468)	11,349
Adjustments to prior year encumbrances	<u>1,684</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,684</u>
Excess of revenues collected over (under) expenditures	28,904	(5,982)	32,579	(42,468)	13,033
Cash fund balances, beginning of year	<u>(69,681)</u>	<u>31,345</u>	<u>232</u>	<u>130,000</u>	<u>91,896</u>
Cash fund balances, end of year	<u>\$ (40,777)</u>	<u>25,363</u>	<u>32,811</u>	<u>87,532</u>	<u>104,929</u>

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 100,111	100,111	113,629	13,518
Intermediate sources	6,034	6,034	6,859	825
State sources	400,365	400,365	408,022	7,657
Federal sources	51,961	51,961	156,429	104,468
Interest earnings			184	184
Non-revenue receipts			758	758
Total revenues collected	558,471	558,471	685,881	127,410
Expenditures:				
Instruction	488,790	488,790	316,010	172,780
Support services			276,685	(276,685)
Operation of non-instructional services			65,966	(65,966)
Total expenditures	488,790	488,790	658,661	(169,871)
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	69,681	69,681	27,220	(42,461)
Adjustments to prior year encumbrances	0	0	1,684	1,684
Excess of revenues collected over (under) expenditures	69,681	69,681	28,904	(40,777)
Cash fund balance, beginning of year	(69,681)	(69,681)	(69,681)	0
Cash fund balance, end of year	\$ 0	0	(40,777)	(40,777)

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS (Building)			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues Collected:				
Local sources	\$ 14,310	14,310	15,822	1,512
Expenditures:				
Support services	45,655	45,655	21,804	23,851
Excess of revenues collected over (under) expenditures	(31,345)	(31,345)	(5,982)	25,363
Cash fund balances, beginning of year	31,345	31,345	31,345	0
Cash fund balances, end of year	\$ 0	0	25,363	25,363

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -  
 BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 31,111	32,575	1,464
Federal sources		4	4
Total revenues	31,111	32,579	1,468
Requirements:			
Bonds			0
Coupons			0
Total expenditures	0	0	0
Excess of revenues collected over (under) expenditures	31,111	32,579	1,468
Cash fund balance, beginning of year	232	232	0
Cash fund balance, end of year	\$ 31,343	32,811	1,468

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Albion Public Schools Dependent District, No. C-2 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

**A. Reporting Entity**

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

The governing body of the District is the Board of Education composed of three elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local dependent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

A. Reporting Entity – cont’d

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.

B. Measurement Focus

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

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

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

**Governmental Fund Types**

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

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The district did not maintain a co-op fund in the 2018-19 year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The district operates their child nutrition fund within the general fund.

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 (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

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

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The District did not maintain any expendable trust funds during the 2018-19 fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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

**Account Groups**

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

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.



ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

B. Measurement Focus – cont’d

**Memorandum Only - Total Column**

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. 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* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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; and, when revenues are earned.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

C. Basis of Accounting and Presentation – cont’d

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

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. Because a majority of votes approved a permanent levy in 2001, an election is no longer held.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**E. Assets, Liabilities and Fund Balance**

Cash and cash equivalents – The District considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2019, is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Compensated Absences – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance – cont'd

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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 – In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amount in the spendable fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

***Restricted*** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

***Committed*** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance – cont'd

*Assigned* fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to Districts in amounts that differ in proportion to those which are collected within such systems.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

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

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

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Monetary Transactions – The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There was no interfund transfers during the 2018-19 fiscal year.

**2. CASH AND INVESTMENTS**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash deposits and investments at June 30, 2019, were \$126,642, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.



ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**2. CASH AND INVESTMENTS – cont'd**

- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

*Concentration of Investment Credit Risk* – The District places no limit on the amount it may invest in any one issuer.

**3. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2019.

**4. 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 of the date of issue.

General long-term debt of the District consists of general obligation bonds. Debt service requirements for bonds are paid solely from the fund balance and the future revenues of the debt service fund.

ALBION INDEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

**4. GENERAL LONG-TERM DEBT- cont'd**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2019:

	Bonds Payable
Balance, July 1, 2018	\$ 130,000
Retirements	0
Balance, June 30, 2019	\$ 130,000

A brief description of the outstanding long-term debt at June 30, 2019, is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
General Obligation Bonds, Series 2018, original issue \$130,000, interest rates of 3.25 to 3.85%, due in annual installments of \$30,000, final payment of \$40,000, due 5-01-23	<u>\$ 130,000</u>

The annual debt service requirements for outstanding bond issues, including the payment of principal and interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 30,000	4,580	34,580
2021	30,000	3,425	33,425
2022	30,000	2,450	32,450
2023	40,000	1,400	41,400
Total	\$ 130,000	11,855	141,855

Interest paid on general long-term debt during the 2018-19 fiscal year totaled \$5,343.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**5. EMPLOYEE RETIREMENT SYSTEM**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2018-19 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 7.70%.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Annual Pension Cost

The District's total contributions for 2019, 2018 and 2017 were \$54,785, \$57,946, and \$60,793, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2019. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

**6. RISK MANAGEMENT – cont'd**

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

**7. CONTINGENCIES**

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2018-19 fiscal year. The revised Uniform Guidance Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$750,000 in federal awards.

The District did not fall under this threshold during the 2018-19 fiscal year, therefore, this schedule is not required and is for information purposes only.

Litigation

District officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

**8. GOING CONCERN**

During the year ended June 30, 2019, the District had a deficit fund balance for the General Fund of \$(40,777). The District's expenditures have exceeded its allowable appropriations in each of the last two fiscal years and the General Fund balance has significantly decreased over the last nine years. The District's General Fund balance was \$323,782 at June 30, 2011, a 9 year decrease of \$365,559. Management plans to improve the District's financial position by controlling and reducing future expenditures and more effectively monitoring actual expenditures with available appropriations.

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>BALANCE</u> 7-01-18	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-19
<u>ASSETS</u>					
Cash	\$ 5,504	11,063	20	8,366	8,221
 <u>LIABILITIES</u>					
Funds held for school organizations:					
Miscellaneous	\$ 5,504	11,063	20	8,366	8,221
4-H Club	0	0		0	0
Athletics	0	0		0	0
8th Grade	0	0		0	0
Total Liabilities	\$ 5,504	11,063	20	8,366	8,221

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Balance at 7/1/18	Revenue Collected	Total Expenditures	Balance at 6/30/19
<u>U.S. Department of Education:</u>							
Indian Education	84.060	561	\$ 14,373		14,373		
Impact Aid	84.041	591	304		304		
Sub Total			<u>14,677</u>	<u>0</u>	<u>14,677</u>	<u>0</u>	<u>0</u>
<u>Passed Through State Department of Education:</u>							
Title I, Part A	84.010	511	35,935		24,264	24,264	
Title I, Part A 2017-18 - Note	84.010	799		17,056	17,056		
Title II, Part A	84.389	541	2,946		2,946	2,946	
Title II, Part A 2017-18 - Note	84.318	799		67	67		
Title IV, Part A	84.424	552	15,000		15,000	15,000	
IDEA-B, Flowthrough	84.027	621	24,806		16,431	16,431	
IDEA-B, Flowthrough 2017-18 - Note	84.027	799		23,491	23,491		
IDEA-B, Preschool	84.173	641	2,768		2,768	2,768	
IDEA-B, Preschool 2017-18 - Note	84.173	799		2,773	2,773		
Sub Total			<u>81,455</u>	<u>43,387</u>	<u>104,796</u>	<u>61,409</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Programs:							
School Breakfast Program	10.553	764			14,419	9,101	
National School Lunch Program	10.555	763			22,506	21,218	
Sub Total					<u>36,925</u>	<u>30,319</u>	
<u>Passed Through Department of Human Services:</u>							
Non-Cash Assistance - Commodities Note 3							
National School Lunch Program	10.555	n/a			1,692	1,692	
<u>Other Federal Assistance:</u>							
In-lieu taxes	N/A	n/a	16		16		
Flood Control	12.112	n/a	18		18		
Sub Total			<u>34</u>	<u>0</u>	<u>34</u>	<u>0</u>	<u>0</u>
Total Federal Assistance			<u>\$ 96,166</u>	<u>43,387</u>	<u>158,124</u>	<u>93,420</u>	<u>0</u>

**Note** - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

**Note 1 - Basis of Presentation** - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2019. This information is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies** - Expenditures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. Expenditures are recognized when an approved purchase order is issued.

**Note 3 - Non-Monetary Assistance** - Commodities received by the District in the amount of \$1,692 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2019

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
CNA Surety -				
Westen Surety Company	Treasurer / Activity Fund	62859723	\$ 100,000	7/26/2018 - 7/26/2019
	Superintendent	61357450	100,000	6/1/2019 - 2/2/2020
	Encumbrance Clerk	63804271	1,000	9/18/2018 - 9/18/2019
	Minutes Clerk	62265087	5,000	1/5/2018 - 1/5/2019



ALBION DEPENDENT SCHOOL DISTRICT NO. C-2, PUSHMATAHA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2018 TO JUNE 30, 2019

State of Oklahoma            )  
  ) ss  
County of Tulsa             )

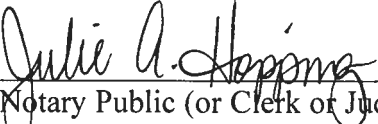
The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Albion Public Schools for the audit year 2018-19.

Sanders, Bledsoe & Hewett,  
Certified Public Accountants, LLP  
Auditing Firm

By  \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me  
This 17<sup>th</sup> day of April, 2020



 \_\_\_\_\_  
Notary Public (or Clerk or Judge)

My Commission Expires: 3/11/2023  
Commission No. 19002530

## **Albion Public Schools**

206 S. Texas Ave.

35000 HWY. 271

Albion, OK 74521

*Katie Blagg, Superintendent- Ph# 918-563-4331*

### 2019-1: EXPENDITURES EXCEEDED APPROPRIATIONS

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. Encumbrance clerk will only enter approved appropriations, as designated by approved Temporary Appropriations and Estimate of Needs into Wengage accounting system. Used correctly this system will help ensure that the District does not end the year with a negative fund balance.

Periodically the Treasurer will reconcile the appropriations ledger with expenditure reports to ensure compliance.

### 2019-2: BANK BALANCES WERE NOT PROPERLY RECONCILED TO THE ACCOUNTING RECORDS; UNIDENTIFIED ADJUSTMENTS WERE MADE TO THE FINANCIAL STATEMENTS TO FORCE BALANCE.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. Treasurer will properly reconcile bank statements each month, and the findings presented to the Superintendent and Albion Board of Education at the monthly board meeting.

### INCORRECT OCAS FINANCIAL INFORMATION WAS SUBMITTED TO THE STATE DEPARTMENT OF EDUCATION.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. Encumbrance Clerk and Treasurer will work in conjunction to ensure that all revenue and expenditures are properly coded in accordance with State regulations, and follow proper end of year procedures with OCAS submission to ensure that District's final OCAS submission is correct.

### 2019-3: DISTRICT RECEIVED INVOICES FROM THE IRS FOR PENALTIES AND INTEREST FOR THE LATE PAYMENTS AND RELATED W2 FILINGS 2012-2016 TAX YEARS TOTALING \$131,767.00 THAT HAVE NOT BEEN PAID.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. The District will contact the IRS to resolve its past due obligations. The district will put in control measures by the treasurer to ensure this error is corrected, where the treasurer will oversee the clearing/reconciliation applicable withholdings to ensure they are paid in a timely manner.

2019-4: DISTRICT ACTIVITY FUND RECEIPTING PROCEDURES DO NOT HAVE A CLEAR AUDIT TRAIL WHEN CORRESPONDING TO THE BANK DEPOSIT.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. District will implant proper procedures relating to Activity Fund to include proper record keeping and reconciliation of the Activity Fund by the Activity Fund custodian. Each project sponsor will follow proper guidelines in accordance with state and federal regulations. The staff will have training on proper record keeping.

2019-5: DISTRICT WAS LACKING ITEMS REQUESTED FOR THE AUDIT.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. District will have training on rules of record keeping. The staff will follow accurate record keeping policies and procedures and will have a designated place for filing and keeping records.

2019-6: DISTRICT DID NOT PROPERLY ENCUMBER PO'S, DID NOT SIGN INVOICE, DOCUMENT PROPERLY REGARDING TRAVEL EXPENDITURES.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. The District will follow proper policies and procedures in regard to encumbering and paying purchase orders and invoices. The District will follow proper procedures regarding employee travel.

2019-7: DISTRICT DID NOT PROPERLY DOCUMENT BUSINESS CONCERNING SCHOOL BOARD MEETINGS

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. The District and Albion Board of Education will follow proper procedures regarding open meeting requirements and recording/filing board related documentation.

2019-8: DISTRICT DID NOT PROPERLY FOLLOW EXPENDITURE GUIDELINES AND COST ACCOUNTING PROCEDURES IN REGARD TO STATE AND FEDERAL PROGRAMS.

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. District will institute proper internal controls (claims will be processed by the encumbrance clerk, approved by the Superintendent, and reviewed by the District's Treasurer) to ensure proper procedures when claiming state and federal program funds.

2019-9: DISTRICT EXCEEDED ALLOWABLE ADMINISTRATIVE COSTS (\$96,881 AND ALLOWABLE WAS \$58,487) AND WAS ASSESSED PENALTY OF \$38,394 BY THE STATE DEPARTMENT OF EDUCATION

Every pertinent position has changed at least once, some more than twice, since the period audited. Inexperienced staff will be shown the proper way to conduct school business and document cost accounting procedures. District will implement and follow proper procedures regarding administrative costs, and will review administrative cost expenditures in accordance with OCAS guidelines throughout year and prior to OCAS submissions.