

REPORT OF AUDIT

ALEX SCHOOL DISTRICT #1-56

GRADY COUNTY – OKLAHOMA

JULY 1, 2014 TO JUNE 30, 2015

**ALEX SCHOOL DISTRICT NO. I-056, GRADY COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015**

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ALEX SCHOOL DISTRICT NO. I-56
GRADY COUNTY, OKLAHOMA
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Alex School District #I-56
Grady County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Alex School District #I-56, Grady County, Oklahoma, as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 to the financial statement, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Alex School District #I-56, Grady County, Oklahoma on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial 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, 2015, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof 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 or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Alex School District #1-56, Grady County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining statements-regulatory basis and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District.

This other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 21, 2016 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and 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.


Chas. W. Carroll, P.A.
April 21, 2016

COMBINED FINANCIAL STATEMENTS

Alex School District No. I-056, Grady County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2015

	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
ASSETS								
Cash and Cash Equivalents	\$ 295,914	\$ 6,146	\$ 165,362	\$ 608,824	\$ 36,522	\$ 0	\$ 1,112,767	
Investments	0	0	0	0	0	0	0	
Amounts Available in Debt Service Fund	0	0	0	0	0	165,362	165,362	
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,024,638	1,024,638	
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	793	793	
Total Assets	\$ 295,914	\$ 6,146	\$ 165,362	\$ 608,824	\$ 36,522	\$ 1,190,793	\$ 2,303,560	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Warrants Payable	\$ 24,868	\$ 156	\$ 0	\$ 23,650	\$ 0	\$ 0	\$ 48,674	
Reserve for Encumbrances	3,500	0	0	450,030	0	0	453,530	
Due to Activity Groups	0	0	0	0	36,522	0	36,522	
General Obligation Bonds Payable	0	0	0	0	0	1,190,000	1,190,000	
Capitalized Lease Obligations Payable	0	0	0	0	0	793	793	
Total Liabilities	\$ 28,368	\$ 156	\$ 0	\$ 473,679	\$ 36,522	\$ 1,190,793	\$ 1,729,519	
Fund Balances:								
Restricted For:								
Debt Service	\$ 0	\$ 0	\$ 165,362	\$ 0	\$ 0	\$ 0	\$ 165,362	
Capital Projects	0	0	0	135,144	0	0	135,144	
Building Programs	0	5,990	0	0	0	0	5,990	
Child Nutrition Programs	0	(0)	0	0	0	0	(0)	
Cooperative Programs	0	0	0	0	0	0	0	
Unassigned	267,545	(0)	0	0	0	0	267,545	
Total Fund Balances	\$ 267,545	\$ 5,990	\$ 165,362	\$ 135,144	\$ 0	\$ 0	\$ 574,041	
Total Liabilities and Fund Balances	\$ 295,914	\$ 6,146	\$ 165,362	\$ 608,824	\$ 36,522	\$ 1,190,793	\$ 2,303,560	

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

Alex School District No.1-056, Grady County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2015

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2015
Revenue Collected:					
Local Sources	\$ 937,430	\$ 126,440	\$ 171,997	\$ 0	\$ 1,235,867
Intermediate Sources	63,453	0	0	0	63,453
State Sources	1,027,216	2	3	0	1,027,221
Federal Sources	348,240	0	0	0	348,240
Non-Revenue Receipts	1,310	0	0	0	1,310
Total Revenue Collected	\$ 2,377,648	\$ 126,442	\$ 172,000	\$ 0	\$ 2,676,091
Expenditures Paid:					
Instruction	\$ 1,158,437	\$ 0	\$ 0	\$ 137,642	\$ 1,296,079
Support Services	806,245	121,865	0	427,214	1,355,323
Operation of Non-Instructional Services	171,651	696	0	0	172,347
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	1,310	0	0	0	1,310
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	7,009	0	7,009
Total Expenditures Paid	\$ 2,137,643	\$ 122,561	\$ 7,009	\$ 564,856	\$ 2,832,068
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ 240,005	\$ 3,882	\$ 164,991	\$ (564,856)	\$ (155,977)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):					
Estopped Warrants	\$ 268	\$ 120	\$ 0	\$ 0	\$ 388
Bond Proceeds	0	0	0	700,000	700,000
Transfers In	22,764	0	0	0	22,764
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 23,031	\$ 120	\$ 0	\$ 700,000	\$ 723,152
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ 263,037	\$ 4,002	\$ 164,991	\$ 135,144	\$ 567,175
Fund Balance - Beginning of Year	4,509	1,987	370	(0)	6,867
Fund Balance - End of Year	\$ 267,545	\$ 5,990	\$ 165,362	\$ 135,144	\$ 574,041

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

Alex School District No. I-056, Grady County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ended June 30, 2015

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 815,093	\$ 815,093	\$ 937,430	\$ 116,413	\$ 126,394	\$ 126,440	\$ 168,643	\$ 168,643	\$ 172,000
Intermediate Sources	50,300	50,300	63,453	0	0	0	0	0	0
State Sources	854,293	1,019,464	1,027,216	0	0	2	0	0	0
Federal Sources	257,998	257,998	348,240	0	0	0	0	0	0
Non-Revenue Receipts	0	0	1,310	0	0	0	0	0	0
Total Revenue Collected	\$ 1,977,685	\$ 2,142,856	\$ 2,377,648	\$ 116,413	\$ 126,394	\$ 126,442	\$ 168,643	\$ 168,643	\$ 172,000
Expenditures Paid:									
Instruction	\$ 1,122,697	\$ 1,287,868	\$ 1,158,437	\$ 0	\$ 0	0	\$ 0	\$ 0	0
Support Services	852,733	852,733	806,245	117,704	127,685	121,865	0	0	0
Operation of Non-Instructional Services	15,996	15,996	171,651	696	696	696	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	11,767	11,767	1,310	0	0	0	169,013	169,013	7,009
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 2,003,194	\$ 2,168,365	\$ 2,137,643	\$ 118,400	\$ 128,381	\$ 122,561	\$ 169,013	\$ 169,013	\$ 7,009
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (25,509)	\$ (25,509)	\$ 240,005	\$ (1,987)	\$ (1,988)	\$ 3,882	\$ (370)	\$ (370)	\$ 164,991
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 268	\$ 0	\$ 0	\$ 120	\$ 0	\$ 0	\$ 0
Transfers In	21,000	21,000	22,764	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 21,000	\$ 21,000	\$ 23,031	\$ 0	\$ 0	\$ 120	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (4,509)	\$ (4,509)	\$ 263,037	\$ (1,987)	\$ (1,988)	\$ 4,002	\$ (370)	\$ (370)	\$ 164,991
Fund Balance - Beginning of Year	4,509	4,509	4,509	1,987	1,987	1,987	370	370	370
Fund Balance - End of Year	\$ (0)	\$ 0	\$ 267,545	\$ 0	\$ (0)	\$ 5,990	\$ (0)	\$ (0)	\$ 165,362

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

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Alex Public Schools Independent District No. 56, Grady County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.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 the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

1.B. Fund Accounting

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

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

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

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund and the Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. This fund was closed during the year. The child nutrition program was run through the General Fund for most of the year.

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

4. Capital Projects Fund - The Capital Projects Fund consists of the District's 2014 Building bond issue. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. 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 operations.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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

Account Groups

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

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

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only - Total Column

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

1.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 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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

1.E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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

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

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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).

Amounts 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.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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 includes 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 purpose 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.

Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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 or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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.

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. Transfers in/transfers out may not agree because activity fund transactions are not included.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2015:

		<u>Carrying Value</u>	
Deposits			
Demand Deposits	\$	1,117,637	
Time Deposits		<u>0</u>	
Total Deposits	\$	<u><u>1,117,637</u></u>	
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ <u>0</u>
Total Investments			\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$ 1,112,767	
Investments		0	
Activity Fund Outstanding Checks/Deposits in Transit		<u>4,870</u>	
Total Deposits and Investments		\$ <u><u>1,117,637</u></u>	

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2015, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 2 – Deposit and Investment Risk, (continued)

4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations- rating agencies- as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2015, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2015, the District had no concentration of credit risk as defined above.

Note 3 - General Long-Term Debt

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

General long-term debt of the District consists of bonds payable and capital lease purchases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 3 - General Long-Term Debt, (continued)

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	<u>Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, July 1, 2014	\$ 490,000	\$ 4,348	\$ 0	\$ 494,348
Additions	700,000	0	0	700,000
Retirements	0	3,555	0	3,555
Balance, June 30, 2015	\$ 1,190,000	\$ 793	\$ 0	\$ 1,190,793

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2013 Transportation Bonds	0.6% – 1.25%	1-Aug-17	\$ 490,000	\$ 490,000
2014 Building Bonds	0.875% – 1.25%	1-Nov-18	700,000	700,000
Totals			\$ 1,190,000	\$ 1,190,000

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013 Transportation Bonds			
2015-16	\$ 160,000	\$ 2,337	\$ 162,337
2016-17	165,000	3,712	168,712
2017-18	165,000	2,062	167,062
Sub Total	490,000	8,111	498,111
2014 Building Bonds			
2015-16		7,325	7,325
2016-17	220,000	7,325	227,325
2017-18	240,000	5,400	245,400
2018-19	240,000	3,000	243,000
Sub Total	700,000	23,050	723,050
Total Bonds	\$ 1,190,000	\$ 31,161	\$ 1,221,161

Interest expense on bonds payable incurred during the current year totaled \$7,009.

The District has entered in to lease agreements as lessee for financing the acquisition of Ag trailer equipment. This lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and has been recorded at the present value of the future minimum lease payments. This lease contains a clause which gives the District ability to terminate the lease agreement at the end of each fiscal year.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 3 - General Long-Term Debt, (continued)

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt group for the above lease.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2015 is as follows:

Year Ending June 30	Ag Trailer Equipment	Total
2016	\$ 829	\$ 829
Total	829	829
Less: Amount Representing Interest	(36)	(36)
Present Value of Future Minimum Lease Payments	\$ 793	\$ 793

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2015. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2015, 2014, and 2013 were \$99,667, \$103,746, and \$120,195, respectively.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 4 – Employee Retirement System, (continued)

The compensation for employees covered by the System for the year ended June 30, 2015 was \$1,009,938 the District's total compensation was \$1,191,839. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.25% of compensation arising from federal grants (\$9,156). There were \$54,767 contributions made by employees during the year ended June 30, 2015.

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2014, is as follows:

Total pension obligation	\$ 19,575,551,730
Net assets available for benefits, at cost	<u>12,368,960,848</u>
 Nonfunded pension benefit obligation	 <u>\$ 7,206,590,882</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

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

Note 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. The District had the following insurance coverage during the year: Commercial property - \$11,974,987; general liability - \$2,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 6 – Risk Management, (Continued)

The School also 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 school 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 them 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 schools losses for the last five year. 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 their loss fund in three years it is returned to them with no interest.

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 their 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 their account they would be liable for the excess.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The District has a surety bond with The Ohio Casualty Insurance Company that covers the following employees/positions for the following amounts:

Jason James/Superintendent	\$100,000
Darrel Johnston/Treasurer	\$100,000
Cindy Brand/Encumbrance Clerk	\$5,000
Cindy Brand/Minutes Clerk	\$1,000
Diana Boatwright/Activity Fund Custodian/Secretary	\$5,000
Kim Morris/HS Secretary	\$5,000

The bond number 3862533 is renewed annually on September 1.

Note 9 – Budget Amendments

The General Fund Budget was amended once during the year by filing a supplemental appropriation with the county clerk's office. The supplemental appropriation was filed June 2015 for \$165,171. This increased the original General Fund Budget from \$2,003,194 to \$2,168,365.

Alex School District No. 056, Grady County
Notes To Combined Financial Statements
For The Year Ended June 30, 2015

Note 9 – Budget Amendments, (continued)

The Building Fund Budget was amended once during the year by filing a supplemental appropriation with the county clerk's office. The supplemental appropriation was filed June 2015 for \$9,981. This increased the original Building Fund Budget from \$117,704 to \$127,685.

Note 10 – Subsequent Events

In October 2015, the District issued \$18.75 million in Combined Purpose Bonds. The proceeds from these bonds will be issued in series to provide funds for the purpose of construction, equipping, repairing, and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

OTHER SUPPLEMENTAL INFORMATION

Alex School District No.1-056, Grady County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - Special Revenue Funds
June 30, 2015

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2015</u>
Cash and Cash Equivalents	\$ 6,146	\$ (0)	\$ 6,146
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 6,146</u>	<u>\$ (0)</u>	<u>\$ 6,146</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 156	\$ 0	\$ 156
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 156</u>	<u>\$ 0</u>	<u>\$ 156</u>
Fund Balances:			
Restricted	\$ <u>5,990</u>	\$ <u>(0)</u>	\$ <u>5,990</u>
<i>Total Fund Balances</i>	<u>\$ 5,990</u>	<u>\$ (0)</u>	<u>\$ 5,990</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,146</u>	<u>\$ (0)</u>	<u>\$ 6,146</u>

Alex School District No.1-056, Grady County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2015

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2015</u>
Revenue Collected:			
Local Sources	\$ 126,440	\$ 0	\$ 126,440
Intermediate Sources	0	0	0
State Sources	2	0	2
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue Collected</i>	<u>\$ 126,442</u>	<u>\$ 0</u>	<u>\$ 126,442</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	121,865	0	121,865
Operation of Non-Instructional Services	0	696	696
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 121,865</u>	<u>\$ 696</u>	<u>\$ 122,561</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 4,578</u>	<u>\$ (696)</u>	<u>\$ 3,882</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 120	\$ 0	\$ 120
Transfers In	0	0	0
Transfers Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 120</u>	<u>\$ 0</u>	<u>\$ 120</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 4,698</u>	<u>\$ (696)</u>	<u>\$ 4,002</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,291</u>	<u>696</u>	<u>1,987</u>
<i>Fund Balance - End of Year</i>	<u>\$ 5,990</u>	<u>\$ (0)</u>	<u>\$ 5,990</u>

Alex School District No. I-056, Grady County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Budget and Actual - Regulatory Basis - Special Revenue Funds
 For the Year Ended June 30, 2015

	Building Fund			Child Nutrition Fund			Total
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget
Revenue Collected:							
Local Sources	\$ 116,413	\$ 126,394	\$ 126,440	\$ 0	\$ 0	\$ 0	\$ 116,413
Intermediate Sources	0	0	0	0	0	0	0
State Sources	0	0	2	0	0	0	0
Federal Sources	0	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0
Total Revenue Collected	\$ 116,413	\$ 126,394	\$ 126,442	\$ 0	\$ 0	\$ 0	\$ 116,413
Expenditures Paid:							
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	117,704	127,685	121,865	0	0	0	117,704
Operation of Non-Instructional Services	0	0	0	696	696	696	696
Facilities Acquisition and Construction	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 117,704	\$ 127,685	\$ 121,865	\$ 696	\$ 696	\$ 696	\$ 118,400
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (1,291)	\$ (1,291)	\$ 4,578	\$ (696)	\$ (696)	\$ (696)	\$ (1,987)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):							
Estopped Warrants	\$ 0	\$ 0	\$ 120	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 120	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (1,291)	\$ (1,291)	\$ 4,698	\$ (696)	\$ (696)	\$ (696)	\$ (1,988)
Fund Balance - Beginning of Year	1,291	1,291	1,291	696	696	696	1,987
Fund Balance - End of Year	\$ 0	\$ 0	\$ 5,990	\$ 0	\$ 0	\$ (0)	\$ (0)

Alex School District No.1-056, Grady County, Oklahoma
Combing Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - Activity Fund
For Year Ended June 30, 2015

ASSETS

	School Activity Fund
Cash	\$ 36,522
Investments	0
	\$ 36,522

LIABILITIES AND FUND EQUITY

Liabilities:	
Due To Activity Groups	\$ 36,522
Total Liabilities	\$ 36,522
Fund Equity	
Unassigned	\$ 0
<i>Total Liabilities and Fund Equity</i>	\$ 36,522

Alex School District No.1-056, Grady County, Oklahoma
Combing Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For Year Ended June 30, 2015

<u>ACCOUNT</u>	<u>07/01/14</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/15</u>
Child Nutrition	0	22,764	0	0	22,764	0
Athletics	11,964	73,320	300	0	77,113	8,472
Concessions	495	21,039	0	0	15,811	5,723
FFA	12,166	22,131	49	0	24,808	9,538
FCCLA	2,389	0	0	0	2,389	0
Jr. Class	-500	0	0	0	0	-500
Library	-42	2,437	0	0	2,290	106
Miscellaneous	98	50	0	0	44	104
Pep Club	1,959	1,832	0	0	3,553	238
Sr. Class	0	2,015	0	0	2,015	0
Yearbook	3,154	2,287	0	0	2,447	2,995
TSA	5,557	13,338	0	0	14,294	4,600
Vending Machines	0	1,744	0	0	1,039	705
Elementary Activities	8,490	14,821	105	0	18,998	4,418
Student Council	444	0	0	0	444	0
FCA	4	0	0	0	0	4
Sophomores	294	0	0	0	243	51
Vocal	257	0	0	0	228	29
Faculty Activities	9	0	0	0	0	9
Alex School Scholarship	22	0	0	0	22	0
School Wide Fundraiser	675	333	0	0	978	30
TOTALS	47,435	178,112	454	0	189,480	36,522

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

ALEX SCHOOL DISTRICT #1-56
 GRADY COUNTY - OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/14 TO 06/30/15

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/(ACCRUED) OR DEFERRED		RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/(ACCRUED) OR DEFERRED	
			REVENUE AT JULY 1, 2014	REVENUE AT JUNE 30, 2015			REVENUE AT JUNE 30, 2015	INDIRECT COST
<u>U.S. Department of Education -</u>								
<u>Direct Programs</u>								
84.358A	588	\$14,223.00	\$13,943.00	\$14,223.00	\$14,223.00	\$13,943.00	\$0.00	\$0.00
<u>State Department of Education -</u>								
Title I, Part A								
84.010	511	98,464.84	(6,115.28)	104,580.12	98,464.84	0.00	0.00	0.00
Title II, Part A								
84.367	541/586	28,869.32	(1,593.87)	29,606.97	28,013.10	0.00	0.00	0.00
IDEA-B Flow Through								
84.027	621	62,749.45	0.00	62,443.41	62,443.41	0.00	0.00	0.00
IDEA-B Preschool								
84.173	641	1,846.93	0.00	0.00	0.00	0.00	0.00	0.00
Special Education Cluster								
<u>U.S. Department of Agriculture -</u>								
Child Nutrition Cluster:								
10.555	763	100,464.18	0.00	100,464.18	100,464.18	0.00	0.00	0.00
National School Lunch Program								
10.553	764	36,922.03	0.00	36,922.03	36,922.03	0.00	0.00	0.00
School Breakfast Program								
Total Cash Assistance								
10.550	N/A	4,825.92	0.00	4,825.92	4,825.92	0.00	0.00	0.00
Commodity Distribution								
Total Child Nutrition Program								
			\$6,233.85	\$353,065.63	\$345,356.48	\$13,943.00	\$0.00	\$0.00

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition Cluster for commodities represents a nonmonetary value of the food commodities received. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount.

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

Chas. W. Carroll, P.A.

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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
Alex School District #I-56
Grady County, Oklahoma

Board Members:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements, regulatory basis, of Alex School District #I-56, Grady County, Oklahoma, as listed in the Table of Contents as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collective comprise the District's combined financial statements, and have issued my report thereon dated April 21, 2016, which was adverse with respect to the presentation of the financial statements in conformity with the accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was qualified for the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 15-01, 15-02, 15-03, 15-04 and 15-05 that I consider to be significant deficiencies.

INTERNAL CONTROL/COMPLIANCE REPORT

Alex School District #1-56

Page Two

Compliance and Other Matters

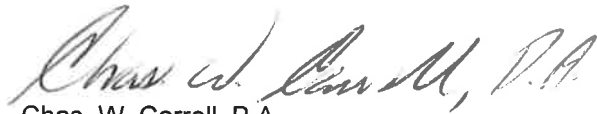
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as item B-1.

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. I did not audit the District's response and, accordingly I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chas. W. Carroll, P.A.

April 21, 2016

OTHER INFORMATION

SCHEDULE OF FINDINGS
JUNE 30, 2015

Section 1 – Summary of Auditor's Results

15-01 Finding

Statement of Condition – Nine (9) of 50 Activity Fund requisitions were dated after the invoice/order date indicating the goods/services were ordered before approved.

Criteria – All purchases should be approved by the purchasing officer prior to purchase.

Cause/Effect of Condition – Employees failure to follow Activity Fund purchasing policies caused them to be in noncompliance with District purchasing policies.

Recommendation – All requisitions should be submitted and approved prior to any order for goods and services being placed.

15-02 Finding

Statement of Condition – Ten (10) of 50 Activity Fund requisitions tested did not have an original or itemized invoice attached and eight (8) of 50 Activity Fund invoices and thirty-six (36) of 60 District invoices were not signed by an employee receiving goods or services.

Criteria – Itemized invoices are required as documentation prior to an expenditure being made. Also, each invoice or packing slip is to be signed by the employee receiving the goods or services.

Cause/Effect of Condition – Some employees' failure to follow purchasing policies could lead to unauthorized expenditures being made.

Recommendation – Expenditures should not be made unless an itemized invoice is received. This invoice should be kept with the requisition for documentation.

15-03 Finding

Statement of Condition – The District's Activity Fund detail and custodian's analysis do not match the bank totals.

Criteria – Activity Fund custodian's records should be reconciled to bank amounts on a monthly basis. The State Department of Education Policies and Procedures for Oklahoma school districts states "no checks will be issued in excess of sub-account balance".

Cause of Condition – The Custodian did not record all receipt of monies to the general or sub-account ledgers when deposits were made or interest was earned, or bank fees or charges when they occurred. Also, the Custodian and Sponsors did not verify sub-account balances before expenditures were made.

Effect of Condition – Total funds and sub-accounts are understated in the Activity Fund by \$2,447.74, at year end, based on bank totals.

Recommendation – The Activity Fund custodian should reconcile the school's records to the bank monthly and have Sponsors verify sub-account balance on a monthly basis.

SCHEDULE OF FINDINGS
JUNE 30, 2015

15-04 Finding

Statement of Condition – Receipts were not turned in to the Activity Fund Custodian on a timely basis.

Criteria – Every sponsor in the school system should be informed that all monies are to be turned in to the School Activity Fund Custodian on a daily basis.

Cause/Effect of Condition – The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete record.

Recommendation – The District should be following all specific procedures established by the State Department of Education.

15-05 Finding

Statement of Condition – During my audit I noted expenditures to the Federal REAP Program (Project 588) which were allowable but the District did not code the expenditures using the prescribed Oklahoma Cost Accounting System (OCAS) project code numbers, which provides tracking of expenditures for the Oklahoma State Department of Education.

Criteria – Good internal control requires procedures to be in place for effective oversight and to properly record and track federal program expenditures and revenues.

Cause/Effect of Condition – Lack of internal control allows for non-compliance with the expenditure tracking requirements by the Oklahoma State Department of Education and the accountability of federal program funding coding requirements by the Oklahoma State Department of Education in the amount of \$13,943.00.

Recommendation – All federal program funding is to be tracked utilizing the prescribed OCAS expenditure and revenue project code numbers. I recommend the District contact the Federal REAP Program and the Oklahoma State Department of Education for possible corrective action.

ALEX SCHOOL DISTRICT #1-56
GRADY COUNTY – OKLAHOMA
JULY 1, 2014 TO JUNE 30, 2015

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2015

14-01 Finding

Statement of Condition – Twenty-three (23) of 33 District purchase orders and ten (10) of 25 Activity Fund requisitions were dated after the invoice/order date indicating the goods/services were ordered before approved.

Criteria – All purchases should be approved by the purchasing officer prior to purchase.

Cause/Effect of Condition – Employees failure to follow Activity Fund purchasing policies caused them to be in noncompliance with District purchasing policies.

Recommendation – All requisitions should be submitted and approved prior to any order for goods and services being placed.

Current Status - This finding was corrected for District purchases during the current year but continued for Activity Fund purchases.

14-02 Finding

Statement of Condition – Two (2) of 22 Activity Fund requisitions tested did not have an original or itemized invoice attached and seventeen (17) of 22 Activity Fund invoices and ten (10) of 33 District invoices were not signed by an employee receiving goods or services.

Criteria – Itemized invoices are required as documentation prior to an expenditure being made. Also, each invoice or packing slip is to be signed by the employee receiving the goods or services.

Cause/Effect of Condition – Some employees' failure to follow purchasing policies could lead to unauthorized expenditures being made.

Recommendation – Expenditures should not be made unless an itemized invoice is received. This invoice should be kept with the requisition for documentation.

Current Status - This finding continued during the current year.

14-03 Finding

Statement of Condition – The District's Activity Fund detail and custodian's analysis do not match the bank totals. Also, two of the sub-accounts had deficit balances at June 30, 2014.

Criteria – Activity Fund custodian's records should be reconciled to bank amounts on a monthly basis. The State Department of Education Policies and Procedures for Oklahoma school districts states "no checks will be issued in excess of sub-account balance".

Cause of Condition – The Custodian did not record all receipt of monies to the general or sub-account ledgers when deposits were made or interest was earned, or bank fees or charges when they occurred. Also, the Custodian and Sponsors did not verify sub-account balances before expenditures were made.

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2015

14-03 Finding (continued)

Effect of Condition – Total funds and sub-accounts are understated in the Activity Fund by \$2,447.74, at year end, based on bank totals. Funds from other sub-accounts were used to pay the debt of another.

Recommendation – The Activity Fund custodian should reconcile the school's records to the bank monthly and have Sponsors verify sub-account balance on a monthly basis.

Current Status - The Activity did not have negative sub-account balances during the current year but did not make adjustments to reconcile ledger and bank balances.

14-04 Finding

Statement of Condition – Pre-numbered receipts were not always utilized by activity fund sponsors and receipts were not turned in to the Activity Fund Custodian on a timely basis.

Criteria – Pre-numbered activity fund receipts shall be issued for every sub-account for each fiscal year and every teacher in the school system should be informed that all monies are to be turned in to the School Activity Fund Custodian on a daily basis.

Cause/Effect of Condition – The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete record.

Recommendation – The District should be following all specific procedures established by the State Department of Education.

Current Status - Pre-numbered receipts were used during the current audit period. Receipts not turned into the fund custodian on a timely basis continued during the current year.

14-05 Finding

Statement of Condition – Pre-numbered tickets were not issued for receipt collections at the District's events.

Criteria – Receipts for collections shall be given by the School Activity Fund Custodian. Pre-numbered tickets should be used for admissions in order to establish internal control. All tickets not sold by the gate keeper should be accounted for at the end of each event and a written reconciliation made of tickets sold to actual revenues collected. Reconciliation documents should be filed in date order as part of the documentation for the School Activity Fund.

Cause/Effect of Condition – Not providing or maintaining event tickets could lead to loss of revenues and provides no documentation or receipts and failure to properly record transactions in general and sub-account ledgers.

Recommendation – The District should utilize gate tickets at all events for following required procedures.

Current Status - This finding was corrected during the current year.

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2015

14-06 Finding

Statement of Condition – During my examination I found one reimbursement for expenses that appears to be for personal use and not District business, Also, it was brought to my attention District equipment appears to have been utilized for personal use.

Criteria – District funds and equipment are to be used for approved District purposes and activities.

Cause/Effect of Condition – While the District has established policies and procedures they were not followed by personnel.

Recommendation – The District administration should ensure all District personnel are instructed in purchasing procedures and the use of District facilities and equipment. Also, the District should consult with legal counsel in regards to be above concerns.

Current Status - This finding was corrected during the current year.

14-07 Finding

Statement of Condition – During my audit I noted expenditures to the Federal REAP Program (Project 588) which were allowable but the District did not code the expenditures using the prescribed Oklahoma Cost Accounting System (OCAS) project code numbers, which provides tracking of expenditures for the Oklahoma State Department of Education.

Criteria – Good internal control requires procedures to be in place for effective oversight and to properly record and track federal program expenditures and revenues.

Cause/Effect of Condition – Lack of internal control allows for non-compliance with the expenditure tracking requirements by the Oklahoma State Department of Education and the accountability of federal program funding coding requirements by the Oklahoma State Department of Education in the amount of \$13,943.00.

Recommendation – All federal program funding is to be tracked utilizing the prescribed OCAS expenditure and revenue project code numbers.

Current Status - This finding was not corrected during the current year.

ALEX SCHOOL DISTRICT #I-56
GRADY COUNTY – OKLAHOMA
JULY 1, 2014 TO JUNE 30, 2015

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

Specific Administrative Controls

Internal Control

B-1 Employee Contracts/Extra Duty Compensation

During my review of the District's employee contracts and payroll procedures I found that some compensation's paid in addition to original contract amounts were not identified as a part of the individual employee contracts and route or time documentation was not maintained..

As additional compensations for extra duty services which are performed during an employees' regular contract period are approved, individual contracts should be amended or extra duty contracts should be created to support such payments. Time sheets should be maintained for those individuals paid on an hourly basis and for employees receiving payment for overtime and performance documentation for salaried personnel.

A similar exception was presented in the previous year audit report.

ALEX SCHOOL DISTRICT #I-56
GRADY COUNTY – OKLAHOMA
JULY 1, 2014 TO JUNE 30, 2015

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".