ANNUAL FINANCIAL REPORT

DEPENDENT SCHOOL DISTRICT NO. 9

OPTIMA PUBLIC SCHOOL DISTRICT

TEXAS COUNTY, OKLAHOMA

JULY 1, 2014 TO JUNE 30, 2015

OPTIMA PUBLIC SCHOOLS
DEPENDENT SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
JULY 1, 2014 TO JUNE 30, 2015

SCHOOL DISTRICT BOARD MEMBERS

Eduardo Salinas
Benji Fuentes
Solia Medina

SUPERINTENDENT OF SCHOOL DISTRICT

Rex Hale

CLERK OF THE BOARD

Solia Medina

SCHOOL DISTRICT TREASURER

Diane Roberts

OPTIMA PUBLIC SCHOOLS
DEPENDENT SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

May 6, 2016

The Honorable Board of Education
Optima School District No.9
Texas County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Optima School District No.9, Texas 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 financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 their 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 opinion.

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

As discussed in Note 1, these financial statements were 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 of 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, 2015, 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

In our opinion, except for the effects of the matters 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, 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

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 statement – 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 as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not required part of the basic financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of the 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 the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combined statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2016 on our consideration of the District's internal control over financial reporting an on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and to 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.

Putnam & Company

Putnam & Company, PLLC

COMBINED FINANCIAL STATEMENTS

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES - STATUTORY BASIS
(ALL FUND TYPES AND ACCOUNT GROUPS)
JUNE 30, 2015

	Governmental Fund Types		Fiduciary Fund Types	Totals
	General	Special Revenue	Trust and Agency	(Memorandum Only)
ASSETS				
Cash and Cash Equivalents	$147,256	23,182	59,804	230,242
Total Assets	$147,256	23,182	59,804	230,242
LIABILITIES				
Warrants Payable	$54,332	2,726		57,058
Reserved for Encumbrances				0
Total Liabilities	54,332	2,726	0	57,058
FUND EQUITY				
Fund Equity:				
Restricted for Building Purposes		11,214		11,214
Restricted for Child Nutrition Programs		9,242		9,242
Restricted for Insurance Purposes			59,804	59,804
Unassigned	92,924			92,924
Total Fund Equity	92,924	20,456	59,804	173,184
Total Liabilities and Fund Equity	$147,256	23,182	59,804	230,242

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - STATUTORY BASIS
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Fund Types		Fiducuary Fund Types	Totals
	General	Special Revenue	Trust and Agency	(Memorandum Only)
REVENUES:				
Local Sources	$248,405	38,191	955	287,551
Intermediate Sources	15,636			15,636
State Sources	257,198	718		257,916
Federal Sources	103,150	42,389		145,539
Total Revenues Collected	624,389	81,298	955	706,642
EXPENDITURES:				
Instruction	359,338			359,338
Support Services	128,461	37,468		165,929
Non-Instructional Services	45,870	34,051		79,921
Other Outlays	116,727			116,727
Total Expenditures	650,396	71,519	0	721,915
Revenues Over (Under) Expenditures	(26,007)	9,779	955	(15,273)
OTHER FINANCING SOURCES (USES):				
Estopped Warrants	915	1,606		2,521
Bank Charges	(24)			(24)
Lapsed Appropriations	497			497
Total Other Financing Sources (Uses)	1,388	1,606	0	2,994
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,619)	11,385	955	(12,279)
Fund Balance, Beginning of Year	117,543	9,071	58,849	185,463
Fund Balance, End of Year	$92,924	20,456	59,804	173,184

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STATUTORY BASIS
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	$229,112	248,405	19,293	34,594	38,191	3,597
Intermediate Sources	15,266	15,636	370			0
State Sources	256,782	257,198	416	582	718	136
Federal Sources	29,439	103,150	73,711	38,604	42,389	3,785
Total Revenues	530,599	624,389	93,790	73,780	81,298	7,518
EXPENDITURES :						
Instruction	357,084	359,338	(2,254)			0
Support Services	128,461	128,461	0	44,884	37,468	7,416
Non-Instructional Services	45,870	45,870	0	37,967	34,051	3,916
Other Outlays	116,727	116,727	0			0
Total Expenditures	648,142	650,396	(2,254)	82,851	71,519	11,332
Revenues Over (Under) Expenditures	(117,543)	(26,007)	91,536	(9,071)	9,779	18,850
OTHER FINANCING SOURCES (USES):						
Estopped Warrants		915	915		1,606	1,606
Bank Charges		(24)	(24)			0
Lapsed Appropriations		497	497			0
Total Other Financing Sources (Uses)	0	1,388	1,388	0	1,606	1,606
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(117,543)	(24,619)	92,924	(9,071)	11,385	20,456
Fund Balance, Beginning of Year	117,543	117,543	0	9,071	9,071	0
Fund Balance, End of Year	$0	92,924	92,924	0	20,456	20,456

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

NOTES TO FINANCIAL STATEMENTS

OPTIMA SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Optima Public Schools Dependent District No. 9, Texas County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

B. Fund Accounting and Description of Funds

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

B. Fund Accounting and Description of Funds – (continued)

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 Salary Incentive Aid program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund – The special revenue fund is the District's 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.

The Child Nutrition Fund derives monies from State, Federal and local sources.

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a 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.

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

Account Groups

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

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

General Fixed Asset Account Group – This account group is used to account for property, plant, and equipment of the school district. The District does not 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.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

C. Basis of Accounting and Presentation – (continued)

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.

D. Budgets and Budgetary Accounting

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

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities, and Fund Equity

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 recorded at cost, which approximates 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.

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.

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

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

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

Compensated Absences – The district provides vacation and sick leave benefits in accordance with Oklahoma Statutes, which provides for annual sick leave and personal business days. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

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.

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 – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses, and Expenditures

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

F. Revenue, Expenses, and Expenditures – (continued)

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. 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 expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSIT AND INVESTMENT RISKS

Custodial Credit Risk - 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's investment policy limits investments to those allowed in state law applicable to school districts as follows:

a. 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.

b. 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.

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. 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.

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's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses it exposure to interest rate risk by disclosing the maturity dates of its various investments.

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's investment policy requires diversification of investments..

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

3. INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund receivables or payables at June 30, 2015.

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 from the date of issue.

General long-term debt of the District normally consists of bonds payable, obligations for compensated absences, early retirement incentive, and a capital lease. Debt service requirements for bonds are payable solely from fund balance and future revenues for the debt service fund.

5. EMPLOYEE RETIREMENT SYSTEM

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34.

The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

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. Actuarial valuations are not performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation indicates a significant unfunded pension benefit obligation.

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his/her accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of $18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. Employers' contribution of applicable employee earnings was 9.5% through June 30, 2015.

5. Employee Retirement System (Continued)

	Total Payroll	Contributions
2014-15	$ 328,291.	$ 31,188.
2013-14	$ 314,412.	$ 29,869.
2011-12	$ 306,792.	$ 26, 451.

6. CONTINGENCIES

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

7. RISK MANAGEMENT AND LITIGATION

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, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 6, 2016, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
ASSETS			
Cash and Cash Equivalents	$13,697	9,485	23,182
Total Assets	13,697	9,485	23,182
LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants Outstanding	2,483	243	2,726
Total Liabilities	2,483	243	2,726
Fund Equity:			
Reserve for Encumbrances			0
Fund Balance	11,214	9,242	20,456
Total Fund Equity	11,214	9,242	20,456
Total Liabilities and Fund Equity	$13,697	9,485	23,182

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
REVENUES:			
Local Sources	$35,032	3,159	38,191
State Sources	22	696	718
Federal Sources		42,389	42,389
Total Revenues Collected	35,054	46,244	81,298
EXPENDITURES:			
Support Services	37,468		37,468
Operation of Non-Instruction Services	2,008	32,043	34,051
Total Expenditures	39,476	32,043	71,519
Excess of Revenues Over Expenditures	(4,422)	14,201	9,779
OTHER FINANCING SOURCES (USES):			
Estopped Warrants	1,474	132	1,606
Total Other Financing Sources (Uses)	1,474	132	1,606
Excess of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	(2,948)	14,333	11,385
Fund Balance, Beginning of Year	14,162	(5,091)	9,071
Fund Balance, End of Year	$11,214	9,242	20,456

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	Building Fund			Child Nutrition Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	$32,730	35,032	2,302	1,864	3,159	1,295
State Sources		22	22	582	696	114
Federal Sources			0	38,604	42,389	3,785
Total Revenues	32,730	35,054	2,324	41,050	46,244	5,194
EXPENDITURES :						
Support Services	44,884	37,468	7,416			0
Operation of Non-Instructional Services	2,008	2,008	0	35,959	32,043	3,916
Total Expenditures	46,892	39,476	7,416	35,959	32,043	3,916
Revenues Over (Under) Expenditures	(14,162)	(4,422)	9,740	5,091	14,201	9,110
OTHER FINANCING SOURCES (USES):						
Estopped Warrants		1,474	1,474		132	132
Total Other Financing Sources (Uses)	0	1,474	1,474	0	132	132
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(14,162)	(2,948)	11,214	5,091	14,333	9,242
Fund Balance, Beginning of Year	14,162	14,162	0	(5,091)	(5,091)	0
Fund Balance, End of Year	$0	11,214	11,214	0	9,242	9,242

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
TRUST AND AGENCY FUNDS
JUNE 30, 2015

	INSURANCE FUND	TOTALS (Memorandum Only)
ASSETS		
Cash and Cash Equivalents	$59,804	59,804
Total Assets	59,804	59,804
LIABILITIES AND FUND EQUITY		
Liabilities:		
Warrants Payable	$0	0
Total Liabilities	0	0
Fund Equity:		
Fund Balance	59,804	59,804
Total Fund Equity	59,804	59,804
Total Liabilities and Fund Equity	$59,804	59,804

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
TRUST & AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	INSURANCE FUND	TOTALS (Memorandum Only)
REVENUES:		
Local Sources	$955	955
Total Revenues Collected	955	955
EXPENDITURES:		
Support Services		0
Total Expenditures	0	0
Excess of Revenues Over Expenditures	955	955
OTHER FINANCING SOURCES (USES):		
Deobligation of Prior Year Funds		0
Total Other Financing Sources (Uses)	0	0
Excess of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	955	955
Fund Balance, Beginning of Year	58,849	58,849
Fund Balance, End of Year	$59,804	59,804

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

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Federal CFDA Number	Project Code	Program or Award Amount	Cash/ Beginning Balance at July 1, 2014	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2015
Passed through the Oklahoma Department of Education:							
Title I	84.010	511	$35,312.76		35,312.76	35,312.76	0.00
Title I - Prior Year	84.010	799		(26,709.43)	26,709.43		0.00
Title I - School Improvement	84.010	515	12,587.03		0.00	12,587.03	(12,587.03)
Title II	84.367	586	12,266.48		10,878.90	12,266.48	(1,387.58)
Flowthrough	84.027	621	35,222.61		26,494.00	35,222.61	(8,728.61)
Flowthrough - Prior Year	84.027	799		(2,730.05)	2,730.05		0.00
REAP	84.368	588	2,868.70			2,868.70	(2,868.70)
REAP	84.368	799		(1,025.08)	1,025.08		0.00
			98,257.58	(29,439.48)	103,150.22	98,257.58	(25,571.92)
U.S. Department of Agriculture:							
Passed Through the State Department of Education							
Donated Foods	10.550	385	3,115.26		3,115.26	3,115.26	0.00
Federal Lunches	10.555	763	25,534.60		25,534.60	23,514.01	2,020.59
Federal Breakfasts	10.553	764	16,854.62		16,854.62	7,833.21	9,021.41
Sub-total			45,504.48	0.00	45,504.48	34,462.48	11,042.00
Total Federal Assistance			$143,762.06	(29,439.48)	148,654.70	132,720.06	(14,529.92)

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Optima Public Schools District and 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. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

Note C: Federal expenditures reported above were chargeable to the respective Federal programs, however, in some instances, they may not be identical to amounts recorded under the specific OCAS project codes in the District's accounting records. Common reasons for those variances include: (1) timing differences, (2) differences in basis of accounting utilized, (3) mis-coding to other project codes, (4) refunds or reimbursements that offset expenditure data, (5) matching (or other local) expenditures that supplement or exceed Federal awarded amounts, and (6) approved indirect costs which are recorded under separate project codes.

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

OPTIMA SCHOOL DISTRICT NO. 9
STATEMENT OF STATUTORY, FIDELITY, AND HONESTY BONDS

Diane Roberts – Treasurer
Employee Dishonesty Bond
Liberty Mutual – Ohio Casualty Bond – Policy No. 3427109
$30,000 Limit
Effective July 1, 2014 to June 30, 2015

Rex Hale - Superintendent
Liberty Mutual – Ohio Casualty Bond – Policy No. 3821191
$100,000 Limit
Effective July 1, 2014 to June 30, 2015

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
Fax (405) 348-3846

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*

May 6, 2016

The Honorable Board of Education
Optima School District No.9
Texas 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 statement of Optima School District No.9, Texas 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 collectively comprise the District's financial statements, and have issued our report thereon dated May 6, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in 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 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 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 the District's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Putnam & Company

Putnam & Company, PLLC

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

Optima School District No. 9
Texas County, Oklahoma

Schedule of Accountants' Professional Liability Insurance Affidavit
For the Year Ending June 30, 2015

STATE OF OKLAHOMA)
) ss
County of Oklahoma)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in Accordance with the "Oklahoma Public School Audit law" at the time of audit contract and during the entire audit engagement with Optima School District No. 9 for the audit year 2014-2015.

Putnam & Company, PLLC

JW Putnam CPA

Subscribed and sworn to before me on this 6th day of May, 2016.
My commission expires on 4th day of June, 2019.

Notary Public
Commission No. 03003504

NOTARY SEAL PUBLIC
AMY ZIEMBA
Notary Public in and for the
State of Oklahoma
Commission #03003504
My Commission expires 6/04/2019

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
Fax (405) 348-3846

May 6, 2016

The Honorable Board of Education
Optima School District No. 9
Texas County, Oklahoma

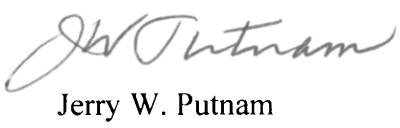
We have audited financial statements of Optima School District No. 9, Texas County, Oklahoma, as of and for the year ended June 30, 2015, as listed in the table of contents, and have issued our report thereon dated May 6, 2016. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 6, 2016 on the financial statements of Optima School District No. 9.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

OPTIMA SCHOOL DISTRICT NO. 9
TEXAS COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS

The prior year's comments have been addressed and resolved.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS

Our review of the purchase orders indicated that in almost every instance the purchase orders were supported with adequate documentation. However, we noted the following findings:

Problem Noted	No. of Instances
Paid From a Vendor's Statement	17
Inaccurate Math	6
Invoice Date Before P.O. Date	2
Incomplete/No Documentation	1
Purchase Order Not Available for Review	7
Did Not Sign For Goods/Services	1

We also noted that the District could do a more thorough job of reviewing purchase orders (to insure that **all** purchase orders are properly signed as approved.)

DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.