

**PAOLI INDEPENDENT SCHOOL DISTRICT NO. 5**  
**GARVIN COUNTY, OKLAHOMA**  
**JUNE 30, 2015**

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**PAOLI INDEPENDENT SCHOOL DISTRICT NO. I-5, GARVIN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015**

**BOARD OF EDUCATION**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Paoli Independent School District #5  
Garvin County, Oklahoma

Board Members:

### Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Paoli Independent School District #5**, Garvin County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. This includes 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 error or fraud.

### Auditor's Responsibility

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

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

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

As discussed in Note 1, the financial statements are prepared by **Paoli Independent School District #5** Garvin County, Oklahoma, 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 reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial 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 **Paoli Independent School District #5**, Garvin County, Oklahoma, as of June 30, 2015, or the changes in its financial position, for the year then ended.

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

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

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

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of **Paoli Independent School District, #5**, Garvin County, Oklahoma as of June 30, 2015, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

### **Other Matters**

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Paoli Independent School District #5, Garvin County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining financial statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements 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 on the regulatory basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the **Paoli Independent School District, #5, Garvin County, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Paoli Independent School District, #5, Garvin County, Oklahoma's** internal control over financial reporting and compliance.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 30, 2015

COMBINED FINANCIAL STATEMENTS

**Paoli School District No.1-005, Garvin 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)
<b>ASSETS</b>	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2015
Cash and Cash Equivalents	\$ 217,618	\$ 56,703	\$ 88,587	\$ 5,808	\$ 49,181	\$ 0	\$ 417,896
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	88,587	88,587
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	71,413	71,413
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	9,911	9,911
<b>Total Assets</b>	<b>\$ 217,618</b>	<b>\$ 56,703</b>	<b>\$ 88,587</b>	<b>\$ 5,808</b>	<b>\$ 49,181</b>	<b>\$ 169,911</b>	<b>\$ 587,807</b>
 <b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Warrants Payable	\$ 76,874	\$ 9,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,448
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	49,181	0	49,181
General Obligation Bonds Payable	0	0	0	0	0	160,000	160,000
Capitalized Lease Obligations Payable	0	0	0	0	0	9,911	9,911
<b>Total Liabilities</b>	<b>\$ 76,874</b>	<b>\$ 9,574</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 49,181</b>	<b>\$ 169,911</b>	<b>\$ 305,539</b>
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 88,587	\$ 0	\$ 0	\$ 0	\$ 88,587
Capital Projects	0	0	0	5,808	0	0	5,808
Building Programs	0	22,772	0	0	0	0	22,772
Child Nutrition Programs	0	17,778	0	0	0	0	17,778
Cooperative Programs	0	6,579	0	0	0	0	6,579
Unassigned	140,744	0	0	0	0	0	140,744
<b>Total Fund Balances</b>	<b>\$ 140,744</b>	<b>\$ 47,129</b>	<b>\$ 88,587</b>	<b>\$ 5,808</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 282,268</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 217,618</b>	<b>\$ 56,703</b>	<b>\$ 88,587</b>	<b>\$ 5,808</b>	<b>\$ 49,181</b>	<b>\$ 169,911</b>	<b>\$ 587,807</b>

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

**Paoli School District No.1-005, Garvin 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
<b>Revenue Collected:</b>					
Local Sources	\$ 295,504	\$ 49,900	\$ 76,327	\$ 8	\$ 421,739
Intermediate Sources	54,062	0	0	0	54,062
State Sources	1,375,351	62,931	0	0	1,438,281
Federal Sources	188,505	96,126	0	0	284,631
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,913,422</u>	<u>\$ 208,956</u>	<u>\$ 76,327</u>	<u>\$ 8</u>	<u>\$ 2,198,714</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 1,192,647	\$ 38,746	\$ 0	\$ 11,101	\$ 1,242,494
Support Services	672,687	40,269	0	20,579	733,536
Operation of Non-Instructional Services	0	114,486	0	0	114,486
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	0	9,372	0	0	9,372
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	80,000	0	80,000
Interest and Fiscal Agent Fees	0	0	3,100	0	3,100
<i>Total Expenditures Paid</i>	<u>\$ 1,865,334</u>	<u>\$ 202,873</u>	<u>\$ 83,100</u>	<u>\$ 31,680</u>	<u>\$ 2,182,987</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 48,088</u>	<u>\$ 6,083</u>	<u>\$ (6,773)</u>	<u>\$ (31,672)</u>	<u>\$ 15,726</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ (0)	\$ 0	\$ 0	\$ 0	\$ (0)
Bond Proceeds	0	0	0	7,420	7,420
Transfers In	0	6,243	0	0	6,243
Transfers Out	(4,692)	0	0	0	(4,692)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (4,692)</u>	<u>\$ 6,243</u>	<u>\$ 0</u>	<u>\$ 7,420</u>	<u>\$ 8,971</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 43,396</u>	<u>\$ 12,326</u>	<u>\$ (6,773)</u>	<u>\$ (24,252)</u>	<u>\$ 24,697</u>
<i>Fund Balance - Beginning of Year</i>	<u>97,348</u>	<u>34,803</u>	<u>95,360</u>	<u>30,060</u>	<u>257,570</u>
<i>Fund Balance - End of Year</i>	<u>\$ 140,744</u>	<u>\$ 47,129</u>	<u>\$ 88,587</u>	<u>\$ 5,808</u>	<u>\$ 282,268</u>

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

**Paoli School District No.1-005, Garvin 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
<b>Revenue Collected:</b>									
Local Sources	\$ 256,237	\$ 256,237	\$ 295,504	\$ 41,464	\$ 41,464	\$ 49,900	\$ 72,750	\$ 72,750	\$ 76,327
Intermediate Sources	41,700	41,700	54,062	0	0	0	0	0	0
State Sources	1,328,118	1,328,118	1,375,351	62,800	62,800	62,931	0	0	0
Federal Sources	211,031	211,031	188,505	85,700	85,700	96,126	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,837,086</u>	<u>\$ 1,837,086</u>	<u>\$ 1,913,422</u>	<u>\$ 189,964</u>	<u>\$ 189,964</u>	<u>\$ 208,956</u>	<u>\$ 72,750</u>	<u>\$ 72,750</u>	<u>\$ 76,327</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 1,230,319	\$ 1,230,319	\$ 1,192,647	\$ 60,059	\$ 60,059	\$ 38,746	\$ 0	\$ 0	\$ 0
Support Services	637,393	637,393	672,687	49,312	49,312	40,269	0	0	0
Operation of Non-Instructional Services	0	0	0	120,496	120,496	114,486	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	4,692	0	0	9,372	168,110	168,110	83,100
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
<i>Total Expenditures Paid</i>	<u>\$ 1,867,712</u>	<u>\$ 1,867,712</u>	<u>\$ 1,870,026</u>	<u>\$ 229,867</u>	<u>\$ 229,867</u>	<u>\$ 202,873</u>	<u>\$ 168,110</u>	<u>\$ 168,110</u>	<u>\$ 83,100</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (30,626)</u>	<u>\$ (30,626)</u>	<u>\$ 43,396</u>	<u>\$ (39,903)</u>	<u>\$ (39,903)</u>	<u>\$ 6,083</u>	<u>\$ (95,360)</u>	<u>\$ (95,360)</u>	<u>\$ (6,773)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	5,100	5,100	6,243	0	0	0
Transfers Out	(66,721)	(66,721)	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (66,721)</u>	<u>\$ (66,721)</u>	<u>\$ (0)</u>	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ 6,243</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (97,348)</u>	<u>\$ (97,348)</u>	<u>\$ 43,396</u>	<u>\$ (34,803)</u>	<u>\$ (34,803)</u>	<u>\$ 12,326</u>	<u>\$ (95,360)</u>	<u>\$ (95,360)</u>	<u>\$ (6,773)</u>
<i>Fund Balance - Beginning of Year</i>	<u>97,348</u>	<u>97,348</u>	<u>97,348</u>	<u>34,803</u>	<u>34,803</u>	<u>34,803</u>	<u>95,360</u>	<u>95,360</u>	<u>95,360</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 140,744</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 47,129</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,587</u>

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

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Paoli Public Schools Independent District No. 5, Garvin 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."

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

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

**1.B. Fund Accounting, Governmental Fund Types, (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, the Child Nutrition Fund and the cooperative 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. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

Cooperative Fund - The cooperative fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. Paoli School was the LEA for the cooperative agreement established by a state grant received for alternative education.

**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 2011 Combined Purpose Bond Fund. This fund 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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

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

**1.B. Fund Accounting, (continued)**

**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.

**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:

**Paoli ISD No. 5, Garvin County**  
**Notes To The 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)**

- 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.

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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The 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)**

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

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

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The 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)**

**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.

**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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

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

**1.F. Revenue, Expenses, and Expenditures, (continued)**

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.

**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	\$		423,619
Time Deposits			
Total Deposits	\$		<u>423,619</u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ 0
Total Investments			<u>\$ 0</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents			\$ 417,896
Activity Fund Outstanding Checks/Deposit in Transit			<u>5,723</u>
Total Deposits and Investments			<u>\$ 423,619</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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

**Note 2 – Deposit and Investment Risk, (continued)**

**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.
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.

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

**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 leases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

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

	<u>Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance July 1, 2014	\$ 240,000	\$ 42,270	\$ -	\$ 282,270
Additions	-	5,755	-	5,755
Retirements	(80,000)	(38,114)	-	(118,114)
Balance, June 30, 2015	<u>\$ 160,000</u>	<u>\$ 9,911</u>	<u>\$ -</u>	<u>\$ 169,911</u>

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>
2011 Combined Purpose Bonds	1.4 to 1.7%	July 1, 2016	\$ 305,000	\$ 160,000
<b>Totals</b>			<u>\$ 305,000</u>	<u>\$ 160,000</u>

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>
<b>2011 Combined Purpose Bonds</b>			
2015-16	\$ 80,000	1,940	\$ 81,940
2016-17	80,000	\$ 680	\$ 80,680
<b>Sub Total</b>	<u>\$ 160,000</u>	<u>\$ 2,620</u>	<u>\$ 162,620</u>
<b>Total Bonds</b>	<u>\$ 160,000</u>	<u>\$ 2,620</u>	<u>\$ 162,620</u>

Interest expense on bonds payable incurred during the current year totaled \$3,100.

The District has entered into lease agreements as lessee for financing the acquisition of copiers and a John Deere Mower. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. The copier lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The John Deere Mower does not contain a mutual ratification clause that gives the District the ability to terminate the lease agreement at the end of each fiscal year.

**Paoli ISD No. 5, Garvin County**  
**Notes To The 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 account group for the above leases. The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Copiers	John Deere Mower	Total
2016	\$ 4,200	\$ 2,037	\$ 6,237
2017	0	2,037	2,037
2018	0	2,037	2,037
Total	<u>4,200</u>	<u>\$ 6,110</u>	<u>\$ 10,310</u>
Less: Amount Representing Interest	(44)	(355)	-399
Present Value of Future Minimum Lease Payments	<u>4,156</u>	<u>\$ 5,755</u>	<u>\$ 9,911</u>

**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 \$116,463, \$114,360, and \$120,727, respectively.

**Paoli ISD No. 5, Garvin County**  
**Notes To The 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 \$1,121,287; the District's total compensation was \$1,293,901. 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 \$8,994. There were \$51,926 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 - \$9,147,562; general liability - \$1,000,000; 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.

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

**Paoli ISD No. 5, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2015**

**Note 6 – Risk Management, (continued)**

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 its returned to them with no interest.

**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 treasurer is bonded by Western Surety Company, bond number 18188819 for the penal sum of \$25,000 for the term of August 21, 2014 to August 21, 2015.

The encumbrance clerk/minutes clerk/activity fund custodian is bonded by Mid-Continent Group, bond #0400086 for the penal sum of \$10,000 for the term of June 17, 2014 to June 17, 2015.

The Superintendent is bonded by Mid RLI Insurance Company, bond #LSM0224065 for the penal sum of \$100,000 for the term September 22, 2014 to September 22, 2015.

**Note 9 – Subsequent Events**

In July 2015, the District issued \$290,000 in Combined Purpose Bonds. The proceeds from these bonds will used to purchase a bus, land, and school improvements.

OTHER SUPPLEMENTAL INFORMATION

**Paoli School District No.1-005, Garvin County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**June 30, 2015**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>Coop Fund</u></b>	<b><u>Total June 30, 2015</u></b>
Cash and Cash Equivalents	\$ 22,772	\$ 26,353	\$ 7,578	\$ 56,703
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 22,772</u>	<u>\$ 26,353</u>	<u>\$ 7,578</u>	<u>\$ 56,703</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Warrants Payable	\$ (0)	\$ 8,575	\$ 999	\$ 9,574
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ (0)</u>	<u>\$ 8,575</u>	<u>\$ 999</u>	<u>\$ 9,574</u>
Fund Balances:				
Restricted	<u>\$ 22,772</u>	<u>\$ 17,778</u>	<u>\$ 6,579</u>	<u>\$ 47,129</u>
<i>Total Fund Balances</i>	<u>\$ 22,772</u>	<u>\$ 17,778</u>	<u>\$ 6,579</u>	<u>\$ 47,129</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 22,772</u>	<u>\$ 26,353</u>	<u>\$ 7,578</u>	<u>\$ 56,703</u>

**Paoli School District No.1-005, Garvin 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>Cooperative Fund</u>	<u>Total June 30, 2015</u>
<b>Revenue Collected:</b>				
Local Sources	\$ 34,441	\$ 95	\$ 15,363	\$ 49,900
Intermediate Sources	0	0	0	0
State Sources	5,421	12,094	45,416	62,931
Federal Sources	0	96,126	0	96,126
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 39,862</u>	<u>\$ 108,315</u>	<u>\$ 60,779</u>	<u>\$ 208,956</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 38,746	\$ 38,746
Support Services	28,988	90	11,191	40,269
Operation of Non-Instructional Services	0	114,486	0	114,486
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	9,372	9,372
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 28,988</u>	<u>\$ 114,576</u>	<u>\$ 59,309</u>	<u>\$ 202,873</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 10,874</u>	<u>\$ (6,261)</u>	<u>\$ 1,470</u>	<u>\$ 6,083</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	6,243	0	6,243
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 6,243</u>	<u>\$ 0</u>	<u>\$ 6,243</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 10,874</u>	<u>\$ (18)</u>	<u>\$ 1,470</u>	<u>\$ 12,326</u>
<i>Fund Balance - Beginning of Year</i>	<u>11,898</u>	<u>17,796</u>	<u>5,109</u>	<u>34,803</u>
<i>Fund Balance - End of Year</i>	<u>\$ 22,772</u>	<u>\$ 17,778</u>	<u>\$ 6,579</u>	<u>\$ 47,129</u>

Paoli School District No.I-005, Garvin 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			Cooperative Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 31,464	\$ 31,464	\$ 34,441	\$ 10,000	\$ 10,000	\$ 15,363	\$ 0	\$ 0	\$ 95
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	5,950	5,950	5,421	44,950	44,950	45,416	11,900	11,900	12,094
Federal Sources	0	0	0	0	0	0	85,700	85,700	96,126
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 37,414</u>	<u>\$ 37,414</u>	<u>\$ 39,862</u>	<u>\$ 54,950</u>	<u>\$ 54,950</u>	<u>\$ 60,779</u>	<u>\$ 97,600</u>	<u>\$ 97,600</u>	<u>\$ 108,315</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 0	\$ 0	\$ 0	\$ 60,059	\$ 60,059	\$ 38,746	\$ 0	\$ 0	\$ 0
Support Services	49,312	49,312	28,988	0	0	11,191	0	0	90
Operation of Non-Instructional Services	0	0	0	0	0	0	120,496	120,496	114,486
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	9,372	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 49,312</u>	<u>\$ 49,312</u>	<u>\$ 28,988</u>	<u>\$ 60,059</u>	<u>\$ 60,059</u>	<u>\$ 59,309</u>	<u>\$ 120,496</u>	<u>\$ 120,496</u>	<u>\$ 114,576</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (11,898)</u>	<u>\$ (11,898)</u>	<u>\$ 10,874</u>	<u>\$ (5,109)</u>	<u>\$ (5,109)</u>	<u>\$ 1,470</u>	<u>\$ (22,896)</u>	<u>\$ (22,896)</u>	<u>\$ (6,261)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	5,100	5,100	6,243
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ 6,243</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (11,898)</u>	<u>\$ (11,898)</u>	<u>\$ 10,874</u>	<u>\$ (5,109)</u>	<u>\$ (5,109)</u>	<u>\$ 1,470</u>	<u>\$ (17,796)</u>	<u>\$ (17,796)</u>	<u>\$ (18)</u>
<i>Fund Balance - Beginning of Year</i>	<u>11,898</u>	<u>11,898</u>	<u>11,898</u>	<u>5,109</u>	<u>5,109</u>	<u>5,109</u>	<u>17,796</u>	<u>17,796</u>	<u>17,796</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ (0)</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ 22,772</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,579</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 17,778</u></u>

**Paoli School District No.1-005, Garvin County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Equity**  
**Regulatory Basis - Activity Fund**  
**June 30, 2015**

<b><u>ASSETS</u></b>	<b><u>School Activity Fund</u></b>
Cash	\$ 49,181
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 49,181</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>49,181</u>
<i>Total Liabilities</i>	\$ <u>49,181</u>
Fund Equity:	
Unassigned	\$ <u>0</u>
 <i>Total Liabilities and Fund Equity</i>	 <u>\$ 49,181</u>

**Paoli School District No.1-005, Garvin County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ended June 30, 2015**

<b>ACTIVITIES</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Miscellaneous	\$ 65	\$ 265	\$ 319	\$ 11
Athletics	7,472	21,768	24,270	4,970
Class of 2018	12	156	168	0
Class of 2019	0	132	132	0
Class of 2005	0	0	0	0
Class of 2006	0	0	0	0
Class of 2002	0	0	0	0
Class of 2003	0	0	0	0
Journalism	6,324	4,710	4,921	6,113
Petty Cash	0	749	749	0
FFA	4,069	18,861	20,514	2,416
J.H. Cheerleaders	448	832	1,017	263
Home Economics	3	0	3	0
Elementary	4,292	17,111	13,867	7,536
Elementary Athletics	0	0	0	0
Concessions	0	10,938	10,938	0
Student Council	3,279	1,812	2,249	2,843
Pep-Club	234	0	234	0
Scale Fund	157	117	222	52
Big-8 Conference Tournament	0	0	0	0
Library	69	11	0	80
Elementary Library	1,726	2,078	2,545	1,259
Child Nutrition	0	6,288	6,288	0
Poetry Club	53	0	53	0
Med-C/C Reimbursement	0	10,200	10,200	0
High School Cheerleaders	1,116	1,795	2,548	363
Pop Machine	134	655	352	437
PHS Academic	0	0	0	0
Paoli Elem. Academic	0	0	0	0
Paoli High School	1,290	2,430	3,093	627
Art	23	0	0	23
Girls Basketball Fund	1,216	7,435	7,498	1,153
Spanish Club	66	0	66	0
Recycle	247	0	0	247
FFA Leadership	984	1,568	159	2,393
H.S. Boys Athletics	1,633	5,696	3,236	4,093
Flower Fund	6	0	0	6
Drama Club	134	0	134	0
H.S. Girls Athletics	156	104	104	156
Class of 2007	0	0	0	0
Mid America Academic Conf	0	2,340	1,980	360
Justin Whitefield Scholarship	220	0	0	220
C.O. & K.L. Balentine Scholarship	4,500	5,000	4,000	5,500
Lovey Dulin Scholarship Fund	0	0	0	0
Class of 2013	129	0	129	0
Class of 2014	288	0	0	288
Class of 2015	1,087	812	1,831	69
Class of 2016	2,108	2,344	3,317	1,135
Class of 2017	629	2,530	190	2,969
Alumni Brick Project	1,026	3,300	725	3,601
Class of 2020	0	200	200	0
<b>Total Activities</b>	<b>\$ 45,196</b>	<b>\$ 132,236</b>	<b>\$ 128,251</b>	<b>\$ 49,181</b>

**PAOLI INDEPENDENT SCHOOL DISTRICT NO. 5, GARVIN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2014	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2015	Indirect Cost
<b>U.S. Department of Education</b>							
Direct Programs:							
Indian Education Title VII	84.060A	561	0	20,717	20,717	0	0
Small Rural School Achievement	84.358A	588	0	12,000	15,773	(3,773)	0
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511	0	73,174	73,174	(0)	1,130
Title 1 School Support	84.010	515	0	0	10,805	(10,805)	0
<b>Title I Cluster</b>			0	73,174	73,174	(0)	1,130
IDEA-B Flowthrough	84.027	621	0	56,760	56,760	0	0
IDEA-B Preschool	84.173	641	0	576	576	0	0
<b>Special Education Cluster</b>			0	57,336	57,336	0	0
Title II, Part A (	84.367	541	0	23,419	23,419	0	0
Passed Through Oklahoma Department of Vocational Education							
Carl Perkins	84.048	421	0	1,859	1,859	0	0
<b>Total U.S. Department of Education</b>			<b>0</b>	<b>188,505</b>	<b>192,278</b>	<b>(3,773)</b>	<b>1,130</b>
<b>U.S. Department of Agriculture</b>							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	0	35,491	35,413	78	0
Lunch Program	10.555	763	0	60,635	60,635	0	0
Commodities Distributed-Lunch (Note 2)	10.555	385	0	3,862	3,862	0	0
<b>Child Nutrition Cluster</b>			0	99,988	99,909	78	0
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>99,988</b>	<b>99,909</b>	<b>78</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>0</b>	<b>288,493</b>	<b>292,188</b>	<b>(3,695)</b>	<b>1,130</b>

Note 1 - The Schedule of Federal Awards expended 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 - Commodities received were of a nonmonetary nature and therefore the total revenue per the SEFA does not agree to the total revenue per the OCAS information by the amount of the commodities.



CERTIFIED PUBLIC ACCOUNTANTS

**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  
Paoli Independent School District #5  
Garvin County, Oklahoma

Board Members:

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 fund type and account group financial statements, regulatory basis, of **Paoli Independent School District #5**, Garvin County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated October 30, 2015. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Paoli Independent School District #5**, Garvin County, Oklahoma's (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 The 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

**2015-1 Finding**

**Statement of Condition** –We noticed two instances where the school created invoices for a vendor, instead of having the vendor provide an invoice to the school. One was for an individual and one was for the post office.

**Criteria**– Invoices should be provided by the vendor.

**Cause/Effect of Condition** – This is how the school has always handled the post office and thought it was sufficient for documentation if the postal worker signed the receipt. The other instance was an individual and he didn't provide an invoice.

**Recommendation** – We recommend the post office provide the receipt that is printed upon sale of stamps to the school. The person receiving the stamps should sign the receipt to verify stamps were received. Individuals that request payment for services should provide an invoice to the school detailing what service was provided, the date of the service and the cost of the service. It can be a hand written receipt.

**2015-2 Finding**

**Statement of Condition** –The payroll contracts we tested during our audit procedures did not have the signatures of the employees.

**Criteria**– Employee contracts should be signed by the school board and by the employee.

**Cause/Effect of Condition** – The employees are required to sign the contracts, but the signed contracts could not be located when we were performing our audit tests.

**Recommendation** – The contracts that are signed by the employees and the school board should be kept with the school's permanent records.

**2015-3 Finding**

**Statement of Condition** – During our purchase order testing of both the activity fund and the appropriated funds, we noted several invoices did not have a signature of the person receiving the goods or services and also several invoices that were dated prior to the purchase order date.

**Criteria**–Purchasing policies require the signature of the person receiving the goods or services. Also purchases should not be made prior to receiving a signed and approved purchase order.

**Cause/Effect of Condition** – It appears that purchasing procedures were not being followed for these purchases. It is possible for items to be purchased and paid without authorization.

**Recommendation** – The school needs to ensure that purchasing procedures are followed by all employees.

#### **2015-4 Finding**

**Statement of Condition** – The school entered into an agreement to purchase a John Deere Mower to be paid out over 3 years. The lending institution used a “Promissory Note” form instead of a “Lease Purchase” form. The “Promissory Note” did not contain a mutual ratification clause.

**Criteria**– Oklahoma Statutes does not allow a school to enter into a contract that extends beyond the current fiscal year. The school can enter into a lease purchase agreement, but this agreement must contain provisions for mutual ratification of renewal each year.

**Cause/Effect of Condition** – The school was not aware that the “Promissory Note” was not an acceptable instrument for the school to execute. The school has entered into a loan agreement which is not allowed under Oklahoma Statutes.

**Recommendation** – The bank should be contacted and asked to change the form to a lease purchase agreement that contains a mutual ratification clause.

#### **2015-5 Finding**

**Statement of Condition** – The superintendent was paid a longevity stipend of \$2,500 for service over 20 years. There was no official board approval, but school employees told us that this was a long standing policy which had been provided to other employees in the past. The policy could not be located and was not provided to us.

**Criteria**– All amounts paid to employees should be board approved, documented in a contract or by school policy.

**Cause/Effect of Condition** – It appears other employees have received the same benefit; however, we could not located an official approval for this payment or the actual board policy.

**Recommendation** – We recommend that payments made to employees be board approved, documented in a contract or documented with board policy.

#### **2015-6 Finding**

**Statement of Condition** – We tested the Pop Machine sub-account to see if it was recording a reasonable profit. Based on information provided by the school, each bottle cost approximately 14 cents. Total purchases from that account were \$238.37 which would be approximately 1,752 bottles. They sell for \$1.00 each. If all bottles were sold, they should have collected \$1,752. Total deposits into the sub-account were only \$600. This is a total of 1,152 bottles short. Sold at retail, this would be \$1,152 short. Wholesale this would be \$126.72 short. Also, it appears that only one individual was collecting the money and turning it in for deposit. There was no documentation to indicate if any of the bottles were given away or stolen, or in ending inventory.

**Criteria**– Good internal control procedures require two individuals collect the money, count it and sign a reconciliation sheet similar to the gate and concession reconciliation sheets. Also, fundraiser reconciliation sheets should be kept to show expected collections, actual collections and explaining differences between expected and actual collections. Differences could be product not sold, but given away, stolen, or in ending inventory.

**Cause/Effect of Condition** – Lack of internal control procedures and reconciliation sheets, make it difficult to determine if profits are being made or all money is being deposited.

**Recommendation** – We recommend that two individuals be required to empty the machines, count the money and sign off on a reconciliation sheet. Also, records should be kept as to how many bottles were purchased for resale, how many sold, any inventory remaining and an explanation of any collection deficiencies.

## **2015- Finding**

**Statement of Condition** – There were some coding issues for federal programs that we found during our final audit procedures. The Carl Perkins grant had \$350 more coded to expenditures than received and the Indian Education Grant had \$592 less coded to expenditures than received. Also, we noted \$3,773 of project 588 Federal REAP money which had been expended, but had not been called down for reimbursement.

**Criteria**– State and Federal regulations require that revenue coded to a federal project code should be matched to expenditures coded to the same project code. Also, 588 Federal Reap money must be called down in order to receive reimbursement.

**Cause/Effect of Condition** – No one was tracking to make sure that federal revenue and expenditure project codes matched and that all Reap money had been called down.

**Recommendation** – We recommend someone be put in charge of checking federal revenue and federal expenditures at the end of the year to ensure that nothing has been forgotten and that any coding changes be made prior to the final OCAS data being submitted.

## **Compliance and Other Matters**

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

## **Paoli Independent School District #5, Oklahoma's, Response to Findings**

Paoli Independent School District #5, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

## **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.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 30, 2015

OTHER INFORMATION

Paoli ISD No. 5, Garvin County  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2015

STATE OF OKLAHOMA    )  
                          )ss  
COUNTY OF GRADY    )

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 *Paoli Schools* for the audit year 2014-2015.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2015

\_\_\_\_\_  
Notary Public

My Commission Expires 07-01-18

Paoli ISD No. 5, Garvin County  
Disposition of Prior Year Audit Findings  
Year Ended June 30, 2015

**2014-1 Finding**

**Statement of Condition** – The school activity fund was not reconciled at year end and the school is carrying outstanding checks as far back as 2002. Interest earned on 6-30 was not recorded into the computer. Additionally, a fiscal year 2015 check was listed as outstanding in the 2014 year.

**Criteria**– Activity Fund needs to be reconciled monthly and outstanding checks over 1 year should be estopped.

**Cause/Effect of Condition** –School is carrying outstanding checks from an old computer system and they have not yet estopped them. The school has more funds available for use than they are showing on the books because of these outstanding checks. These items cause the activity fund amounts to be misstated on the schools records.

**Recommendation** –The school needs to check with the software vender to see the best way to handle getting the old outstanding checks back into the subaccounts. Also, the activity fund should be reconciled monthly.

**Current Status** – This was corrected during the 2014-15 year.

**2014-2 Finding**

**Statement of Condition** – The school exceeded the \$75 for a single petty cash expenditure on 1 occasion and exceeded the \$200 maximum balance for the petty cash account on 9 occasions during the year.

**Criteria** – State statutes prohibit single petty cash expenditures in excess \$75 and the petty cash balance cannot exceed \$200 at any time during the year.

**Cause/Effect of Condition** – The school was not aware of this statute and were transferring \$100 each month into petty cash regardless of what was spent. They also used the yearend balance of \$154 to buy postage instead of transferring it back into the general fund, which is why they went over the \$75 limit for expenditures.

**Recommendation** – Reimbursements to petty cash should only be for amounts spent and no single expenditure should exceed \$75.

**Current Status** – This was corrected during the 2014-15 year.

### **2014-3 Finding**

**Statement of Condition** – Fundraiser testing for the Class of 2017 showed \$721 in receipts were issued to students for T-shirt sales. Actual collections were \$1,213. Therefore, receipts could not be found to document the \$492 difference.

**Criteria** – State statutes require prenumbered receipts to be written whenever possible.

**Cause/Effect of Condition** – Sponsor was not aware of the requirement to issue receipts. There is no way to determine if all monies are accounted for and turned in for deposit.

**Recommendation** – We recommend all sponsors be made aware of requirements to issue receipts and that this is enforced by management.

**Current Status** – This was not noted during the 2014-15 audit.

### **2014-4 Finding**

**Statement of Condition** – During our purchase order testing we noted 11 lacked a requisition signed by the purchasing officer, 10 lacked the initials of the person receiving the goods or services and 2 purchase orders were dated after the invoice date.

**Criteria** – Purchasing policies require the signature and the date of purchasing officer approval prior to items being ordered. The employee receiving the goods or services should initial verifying all items were received and were in good order.

**Cause/Effect of Condition** – It appears purchasing procedures were not being followed for these purchases. It is possible for items to be purchased and paid without authorization.

**Recommendation** – The school needs to follow purchasing policies to ensure all requisitions/purchase orders are signed and dated prior to ordering and all items are verified when received prior to payment.

**Current Status** – We continued to note that some purchasing procedures were not being followed.

### **2014-5 Finding**

**Statement of Condition** – 1 of 7 payroll contracts tested did not agree to the total amount paid to the employee. One employee was paid \$251 less than the amount of the approved contract.

**Criteria** – Each employee should be paid according to the approved payroll contract.

**Cause/Effect of Condition** – Payroll contracts were not checked against the total paid at year end and therefore the employee was underpaid.

**Recommendation** – Payroll contracts should be compared to total paid at year end prior to closing out. If there is a discrepancy in the amount paid then it can be corrected prior to closing the books for the year.

**Current Status** - This was corrected for the 2014-15 year.

SCHOOL'S CORRECTIVE ACTION PLAN

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-1

DESCRIPTION OF FINDING: "Invoices should be provided by the vendor

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: The post office shall provide a receipt upon sale  
of stamps and the person receiving the postage will sign receipt. Also  
individual will provide their own invoices

COMPLETION DATE: October 30, 2015

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-2

DESCRIPTION OF FINDING: Employee contracts should be signed by  
the school board and by the employee.

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: The contracts that were signed have not been  
located. We will make sure these are accessible and in the school's  
permanent records.

COMPLETION DATE: October 30, 2015

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-3

DESCRIPTION OF FINDING: Purchase orders for funds were not signed  
by the person receiving the goods.

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: The school will ensure that purchasing  
procedures are followed by all employees.

COMPLETION DATE: October 30, 2015

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-46

DESCRIPTION OF FINDING: The school entered into an agreement with  
PVNB ;to purchase a John Deere Mower but the contract was on a  
promisory note instead of a Lease Purchase form

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: The bank has been contacted and steps are  
implemented to get this changed.

COMPLETION DATE: October 30, 2015

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-5

DESCRIPTION OF FINDING: The outgoing superintendent received a stipend of \$2500 for service of 20 years when he retired. This was not amended on his contract.

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: Board policy does state that any employee retiring who has accumulated at least 20 years shall receive this stipend. This was voted several years ago and approved, but could not be located.

COMPLETION DATE: October 30, 2015

Paoli PUBLIC SCHOOL DISTRICT

Garvin COUNTY

AUDIT FINDINGS  
CORRECTIVE ACTION PLAN

AUDIT YEAR 2015

AUDIT FINDING REFERENCE NUMBER: 2015-6

DESCRIPTION OF FINDING: Pop machine receipts dis not balance  
with money received and was several bottles short.

CONTACT PERSON: David Morris

STEPS IMPLEMENTED: Two individuals will empty the machines, count  
the money and sign off on a reconcillation sheet. The school will make  
a asserted effort to balance with merchandise purchased and merchandise  
sold.

COMPLETION DATE: October 30, 2015