

PAOLI INDEPENDENT SCHOOL DISTRICT NO. 5
GARVIN COUNTY, OKLAHOMA
JUNE 30, 2016

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PAOLI INDEPENDENT SCHOOL DISTRICT NO. 1-5, GARVIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2016, 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, 2016, 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

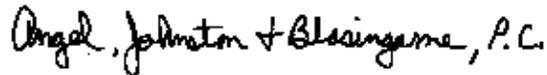
Other Information

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 2, 2016, 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.



Chickasha, Oklahoma
November 2, 2016

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, 2016

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2016
ASSETS							
Cash and Cash Equivalents	\$ 178,946	\$ 51,279	\$ 89,839	\$ 61,507	\$ 81,567	\$ 0	\$ 463,138
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	89,839	89,839
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	280,161	280,161
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	4,048	4,048
Total Assets	\$ 178,946	\$ 51,279	\$ 89,839	\$ 61,507	\$ 81,567	\$ 374,048	\$ 837,186
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 66,948	\$ 6,253	\$ 0	\$ 9,409	\$ 0	\$ 0	\$ 82,610
Reserved for Medical Reimbursement	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	81,567	0	81,567
General Obligation Bonds Payable	0	0	0	0	0	370,000	370,000
Capitalized Lease Obligations Payable	0	0	0	0	0	4,048	4,048
Total Liabilities	\$ 66,948	\$ 6,253	\$ 0	\$ 9,409	\$ 81,567	\$ 374,048	\$ 538,225
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 89,839	\$ 0	\$ 0	\$ 0	\$ 89,839
Capital Projects	0	0	0	52,098	0	0	52,098
Building Programs	0	44,551	0	0	0	0	44,551
Child Nutrition Programs	0	475	0	0	0	0	475
Cooperative Fund	0	0	0	0	0	0	0
Unassigned	111,998	0	0	0	0	0	111,998
Total Fund Balances	\$ 111,998	\$ 45,026	\$ 89,839	\$ 52,098	\$ 0	\$ 0	\$ 298,961
Total Liabilities and Fund Balances	\$ 178,946	\$ 51,279	\$ 89,839	\$ 61,507	\$ 81,567	\$ 374,048	\$ 837,186

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, 2016

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2016
Revenue Collected:					
Local Sources	\$ 292,216	\$ 35,904	\$ 77,971	\$ 65	\$ 406,156
Intermediate Sources	57,507	0	0	0	57,507
State Sources	1,247,567	14,647	0	0	1,262,214
Federal Sources	248,936	89,831	0	0	338,768
Non-Revenue Receipts	0	0	5,221	0	5,221
<i>Total Revenue Collected</i>	<u>\$ 1,846,227</u>	<u>\$ 140,382</u>	<u>\$ 83,192</u>	<u>\$ 65</u>	<u>\$ 2,069,866</u>
Expenditures Paid:					
Instruction	\$ 1,185,569	\$ 0	\$ 0	\$ 15,669	\$ 1,201,238
Support Services	675,803	20,701	0	187,757	884,260
Operation of Non-Instructional Services	12,262	122,133	0	0	134,395
Facilities Acquisition and Construction	0	0	0	34,550	34,550
Other Outlays	0	0	0	0	0
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	1,940	0	1,940
<i>Total Expenditures Paid</i>	<u>\$ 1,873,634</u>	<u>\$ 142,834</u>	<u>\$ 81,940</u>	<u>\$ 237,975</u>	<u>\$ 2,336,383</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (27,407)</u>	<u>\$ (2,451)</u>	<u>\$ 1,252</u>	<u>\$ (237,910)</u>	<u>\$ (266,517)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 112	\$ (0)	\$ 0	\$ 0	\$ 112
Bond Proceeds	0	0	0	284,200	284,200
Transfers In	0	348	0	0	348
Transfers Out	(1,450)	0	0	0	(1,450)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (1,338)</u>	<u>\$ 348</u>	<u>\$ 0</u>	<u>\$ 284,200</u>	<u>\$ 283,210</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (28,745)</u>	<u>\$ (2,103)</u>	<u>\$ 1,252</u>	<u>\$ 46,290</u>	<u>\$ 16,693</u>
<i>Fund Balance - Beginning of Year</i>	<u>140,744</u>	<u>47,129</u>	<u>88,587</u>	<u>5,808</u>	<u>282,268</u>
<i>Fund Balance - End of Year</i>	<u>\$ 111,998</u>	<u>\$ 45,026</u>	<u>\$ 89,839</u>	<u>\$ 52,098</u>	<u>\$ 298,961</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, 2016

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 264,160	\$ 264,160	\$ 292,216	\$ 32,600	\$ 32,600	\$ 35,904	\$ 74,033	\$ 74,033	\$ 77,971
Intermediate Sources	48,500	48,500	57,507	0	0	0	0	0	0
State Sources	1,247,653	1,247,653	1,247,567	18,850	18,850	14,647	0	0	0
Federal Sources	186,000	186,000	248,936	86,400	86,400	89,831	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	5,221
Total Revenue Collected	\$ 1,746,313	\$ 1,746,313	\$ 1,846,227	\$ 137,850	\$ 137,850	\$ 140,382	\$ 74,033	\$ 74,033	\$ 83,192
Expenditures Paid:									
Instruction	\$ 1,118,667	\$ 1,118,667	\$ 1,185,569	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	751,290	751,290	675,803	67,351	67,351	20,701	0	0	0
Operation of Non-Instructional Services	100	100	12,262	123,228	123,228	122,133	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	17,000	17,000	0	0	0	0	162,620	162,620	81,940
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 1,887,057	\$ 1,887,057	\$ 1,873,634	\$ 190,579	\$ 190,579	\$ 142,834	\$ 162,620	\$ 162,620	\$ 81,940
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (140,744)	\$ (140,744)	\$ (27,407)	\$ (52,729)	\$ (52,729)	\$ (2,451)	\$ (88,587)	\$ (88,587)	\$ 1,252
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 112	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	5,600	5,600	348	0	0	0
Transfers Out	0	0	(1,450)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (1,338)	\$ 5,600	\$ 5,600	\$ 348	\$ 0	\$ 0	\$ 0
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (140,744)	\$ (140,744)	\$ (28,745)	\$ (47,129)	\$ (47,129)	\$ (2,103)	\$ (88,587)	\$ (88,587)	\$ 1,252
Fund Balance - Beginning of Year	140,744	140,744	140,744	47,129	47,129	47,129	88,587	88,587	88,587
Fund Balance - End of Year	\$ (0)	\$ (0)	\$ 111,998	\$ 0	\$ 0	\$ 45,026	\$ 0	\$ 0	\$ 89,839

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, 2016

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, 2016

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, 2016

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, 2016

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 recorded 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, 2016

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, 2016, 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, 2016

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, 2016

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, 2016:

		<u>Carrying Value</u>
Deposits		
Demand Deposits	\$	463,278
Time Deposits		
Total Deposits	\$	<u>463,278</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	\$	463,137
Bank error-check cleared twice		-95
Activity Fund Outstanding Checks/Deposit in Transit		<u>236</u>
Total Deposits and Investments	\$	<u>463,278</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.

Paoli ISD No. 5, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2016

Note 2 – Deposit and Investment Risk, (continued)

At June 30, 2016, the District was not exposed to custodial credit risk as defined above.

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

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
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 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-ratings 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, 2016, 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, 2016, 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, 2016

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, 2016:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2015	\$ 160,000	\$ 9,911	\$ -	\$ 169,911
Additions	290,000	-	-	290,000
Retirements	(80,000)	(5,863)	-	(85,863)
Balance, June 30, 2016	<u>\$ 370,000</u>	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 374,048</u>

A brief description of the outstanding general obligation bond issues at June 30, 2016 is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2015 Combined Purpose Bonds	2.00%	July 1, 2020	\$ 290,000	\$ 290,000
2011 Combined Purpose Bonds	1.4 to 1.7%	July 1, 2016	<u>305,000</u>	<u>80,000</u>
Totals			<u>\$ 595,000</u>	<u>\$ 370,000</u>

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

	Principal	Interest	Total
2011 Combined Purpose Bonds			
2016-17	\$ 80,000	\$ 680	\$ 80,680
Sub Total	<u>\$ 80,000</u>	<u>\$ 680</u>	<u>\$ 80,680</u>
2015 Combined Purpose Bonds			
2016-17	\$ 0	0	0
2017-18	65,000	13,850	78,850
2018-19	75,000	3,750	78,750
2019-20	75,000	2,250	77,250
2020-21	75,000	750	75,750
Sub Total	<u>\$ 290,000</u>	<u>\$ 20,600</u>	<u>\$ 310,600</u>
Total Bonds	<u>\$ 370,000</u>	<u>\$ 21,280</u>	<u>\$ 391,280</u>

Interest expense on bonds payable incurred during the current year totaled \$1,940.

Paoli ISD No. 5, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2016

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

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. The copiers were paid off during the 2015-16 year.

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	John Deere Mower	Total
2017	\$ 2,196	2,196
2018	2,196	2,196
Total	\$ 4,392	4,392
Less: Amount Representing Interest	(344)	(344)
Present Value of Future Minimum Lease Payments	\$ 4,048	4,048

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, 2016. 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%.

Paoli ISD No. 5, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2016

Note 4 - Employee Retirement System, (continued)

The District's contributions to the System for the years ending June 30, 2016, 2015, and 2014 were \$107,718, \$116,463, and \$114,360, respectively.

The compensation for employees covered by the System for the year ended June 30, 2016 was \$1,054,751 ; the District's total compensation was \$1,214,959. 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 \$12,479. There were \$ 49,343 contributions made by employees during the year ended June 30, 2016.

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, 2015, is as follows:

Total pension obligation	\$ 20,692,630,888
Net assets available for benefits, at cost	<u>13,771,884,292</u>
Nonfunded pension benefit obligation	<u>\$ 6,920,746,596</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, 2015. 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.

The School's Title I and Title II grants are in the process of being monitored. As of October 3, 2016, the monitoring agency had not completed the monitoring because they needed more information from the school.

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 - \$9,261,582; 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.

Paoli ISD No. 5, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2016

Note 6 – Risk Management, (continued)

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

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 1818819 for the penal sum of \$25,000 for the term of August 21, 2015 to August 21, 2016.

The encumbrance clerk/minutes clerk is bonded by RLI Insurance Company bond #LSM00401591 for the penal sum of \$5,000 for the term of June 30, 2015 to June 30, 2016.

The activity fund custodian is bonded by RLI Insurance Company bond #LSM0744141 for the penal sum of \$100,000 for the term of June 30, 2015 to June 30, 2016.

The Superintendent is bonded by Mid RLI Insurance Company, bond #LSM0744141 for the penal sum of \$100,000 for the term June 30, 2015 to June 30, 2016.

Note 9 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

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, 2016

<u>ASSETS</u>	Building Fund	Child Nutrition Fund	Coop Fund	Total June 30, 2016
Cash and Cash Equivalents	\$ 49,165	\$ 2,114	\$ 0	\$ 51,279
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 49,165</u>	<u>\$ 2,114</u>	<u>\$ 0</u>	<u>\$ 51,279</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Warrants Payable	\$ 4,615	\$ 1,638	\$ 0	\$ 6,253
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 4,615</u>	<u>\$ 1,638</u>	<u>\$ 0</u>	<u>\$ 6,253</u>
Fund Balances:				
Restricted	\$ 44,551	\$ 475	\$ 0	\$ 45,026
<i>Total Fund Balances</i>	<u>\$ 44,551</u>	<u>\$ 475</u>	<u>\$ 0</u>	<u>\$ 45,026</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 49,165</u>	<u>\$ 2,114</u>	<u>\$ 0</u>	<u>\$ 51,279</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, 2016

	Building Fund	Child Nutrition Fund	Cooperative Fund	Total June 30, 2016
Revenue Collected:				
Local Sources	\$ 35,901	\$ 4	\$ 0	\$ 35,904
Intermediate Sources	0	0	0	0
State Sources	0	14,647	0	14,647
Federal Sources	0	89,831	0	89,831
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	\$ 35,901	\$ 104,482	\$ 0	\$ 140,382
 Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	14,122	0	6,579	20,701
Operation of Non-Instructional Services	0	122,133	0	122,133
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
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>	\$ 14,122	\$ 122,133	\$ 6,579	\$ 142,834
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>				
	\$ 21,779	\$ (17,651)	\$ (6,579)	\$ (2,451)
 Adjustments to Prior Year Encumbrances				
	\$ 0	\$ 0	\$ 0	\$ 0
 Other Financing Sources (Uses):				
Estopped Warrants	\$ (0)	\$ 0	\$ (0)	\$ (0)
Transfers In	0	348	0	348
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	\$ (0)	\$ 348	\$ (0)	\$ 348
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>				
	\$ 21,779	\$ (17,303)	\$ (6,579)	\$ (2,103)
<i>Fund Balance - Beginning of Year</i>	22,772	17,778	6,579	47,129
<i>Fund Balance - End of Year</i>	\$ 44,551	\$ 475	\$ (0)	\$ 45,026

Paoli School District No.1-005, 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, 2016

	Building Fund			Cooperative Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 32,600	\$ 32,600	\$ 35,901	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	5,400	5,400	0	0	0	0	13,450	13,450	14,647
Federal Sources	0	0	0	0	0	0	86,400	86,400	89,831
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 35,901</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,850</u>	<u>\$ 99,850</u>	<u>\$ 104,482</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	60,772	60,772	14,122	6,579	6,579	6,579	0	0	0
Operation of Non-Instructional Services	0	0	0	0	0	0	123,228	123,228	122,133
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	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>\$ 60,772</u>	<u>\$ 60,772</u>	<u>\$ 14,122</u>	<u>\$ 6,579</u>	<u>\$ 6,579</u>	<u>\$ 6,579</u>	<u>\$ 123,228</u>	<u>\$ 123,228</u>	<u>\$ 122,133</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (22,772)</u>	<u>\$ (22,772)</u>	<u>\$ 21,779</u>	<u>\$ (6,579)</u>	<u>\$ (6,579)</u>	<u>\$ (6,579)</u>	<u>\$ (23,378)</u>	<u>\$ (23,378)</u>	<u>\$ (17,651)</u>
Adjustments to Prior Year Encumbrances	<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>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	5,600	5,600	348
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>\$ 5,600</u>	<u>\$ 5,600</u>	<u>\$ 348</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (22,772)</u>	<u>\$ (22,772)</u>	<u>\$ 21,779</u>	<u>\$ (6,579)</u>	<u>\$ (6,579)</u>	<u>\$ (6,579)</u>	<u>\$ (17,778)</u>	<u>\$ (17,778)</u>	<u>\$ (17,303)</u>
<i>Fund Balance - Beginning of Year</i>	<u>22,772</u>	<u>22,772</u>	<u>22,772</u>	<u>6,579</u>	<u>6,579</u>	<u>6,579</u>	<u>17,778</u>	<u>17,778</u>	<u>17,778</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 44,551</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 475</u></u>

Paoli School District No.1-005, Garvin County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis - Trust and Agency Funds
June 30, 2016

<u>ASSETS</u>	School Activity Fund
Cash	\$ 81,567
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 81,567</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ 81,567
Reserved for Medical Reimbursement Account	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 81,567</u>
Fund Equity:	
Unassigned	<u>\$ 0</u>
 <i>Total Liabilities and Fund Equity</i>	 <u>\$ 81,567</u>

Paoli School District No.1-005, Garvin County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Trust and Agency Funds
For the Year Ended June 30, 2016

ACTIVITIES	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Miscellaneous	\$ 11	\$ 992	\$ 975	\$ 27
Athletics	4,970	14,421	16,387	3,003
Class of 2018	0	3,671	58	3,613
Class of 2019	0	42	42	0
Journalism	6,113	3,732	3,541	6,304
Pety Cash	0	800	800	0
FFA	2,416	14,716	15,652	1,480
H.H. Cheerleaders	263	2,104	2,366	0
Elementary	7,536	14,199	13,992	7,744
Elementary Athletics	0	0	0	0
Concessions	0	11,058	11,058	0
Student Council	2,843	1,528	1,573	2,798
Scale Fund	52	0	0	52
Library	80	5,485	2,601	2,963
Elementary Library	1,259	2,548	2,423	1,384
Child Nutrition	0	361	361	0
High School Cheerleaders	363	7,584	7,352	595
Pop Mahcine	437	0	0	437
Paoli High School	627	2,902	3,244	285
Art	23	0	0	23
Girls Basketball Fund	1,153	4,694	4,688	1,159
Recycle	247	0	0	247
FFA Ladership	2,393	1,800	1,168	3,025
H.S. Boys Athletics	4,093	3,290	2,039	5,344
Flower Fund	6	0	0	6
PUG Nation PTO	0	2,492	476	2,016
H.S. Girls Athletics	156	1,268	993	431
Mid America Academic Confernece	360	1,485	47	1,799
Justin Whjitefield Scholarship	220	0	0	220
C.O. & K.L. Balentine Scholarship	5,500	0	3,000	2,500
Lovey Dulin Scholarship Fund	0	30,321	0	30,321
Class of 2014	288	0	0	288
Class of 2015	69	0	69	0
Class of 2016	1,135	30	1,165	0
Class of 2017	2,969	1,433	2,558	1,844
Alumni Brick Project	3,601	1,620	3,569	1,653
Class of 2020	0	91	84	7
Class of 2021	0	100	100	0
Total Activity Fund	\$ 49,181	\$ 134,765	\$ 102,379	\$ 81,567
Medical Reimbursement Account	\$ 0	\$ 5,460	\$ 5,460	\$ 0
Total Trust & Agency Funds	\$ 49,181	\$ 140,225	\$ 107,839	\$ 81,567

PAOLI INDEPENDENT SCHOOL DISTRICT NO. 5, GARVIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2015	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2016	Indirect Cost
U.S. Department of Education							
Direct Programs:							
Indian Education Title VII	84.060A	561	0	20,914	20,914	0	0
Small Rural School Achievement	84.358A	588	(3,773)	19,817	16,044	0	0
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511	0	100,168	100,168	(0)	0
Title 1 School Support	84.010	515	(10,805)	33,636	22,832	(0)	0
Title I Cluster			(10,805)	133,804	123,000	0	0
IDEA-B Flowthrough	84.027	621		56,986	56,986	0	0
IDEA-B Preschool	84.173	641	0	576	576	0	0
Special Education Cluster			0	57,562	57,562	0	0
Title II, Part A (84.367	541/586	0	14,980	14,980	0	0
Total U.S. Department of Education			(14,578)	247,077	232,500	0	0
U.S. Department of Agriculture							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	78	33,854	33,854	78	0
Lunch Program	10.555	763	0	55,977	55,977	0	0
Summer Food	10.559	766	0	0	0	0	0
Commodities Distributed-Lunch (Note 2)	10.555	385		6,015	6,015	0	0
Child Nutrition Cluster			78	95,846	95,846	78	0
Total U.S. Department of Agriculture			78	95,846	95,846	78	0
TOTAL FEDERAL ASSISTANCE			(14,500)	342,923	328,345	79	0

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.

Note 3 - Difference in total federal revenues per the estimate of needs and per the SEFA is \$1,860.00. The treasurer originally coded some local Carl Perkins money to project 421. The error was not found until final audit at which time the school corrected it to a local code and resubmitted their OCAS Data.

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, 2016, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated November 2, 2016. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **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.

2016-1 Finding

Statement of Condition – The school district treasurer was only bonded for \$25,000 for the 2015-16 year.

Criteria– Oklahoma School Laws require the treasurer to have surety bond coverage equal to the estimated amount of money on hand at one time but not greater than the amount of the surety bond coverage of the county treasurer. It further recommends that the treasurer should have at least \$100,000 in surety bond coverage.

Cause/Effect of Condition –The school was not aware of this requirement. The school is exposed to risk of loss for any amounts of theft by the treasurer over \$25,000.

Recommendation – We recommend that the surety bond coverage for the treasurer be increased to \$100,000.

2016-2 Finding

Statement of Condition –When we were performing interim audit work, we noticed that the bank had an account in the school's name that was not included in the school's financial statements. It is the "Lovey Dulin Scholarship Fund". They have had this CD in the School's name for several years and did not know they were required to show it on their books. The school had corrected this by June 30, 2016.

Criteria– All funds in the school's names should be included in the school's OCAS information.

Cause/Effect of Condition – They thought since it was a scholarship fund, that it was not necessary to include in the School's financials. The bank confirmations the auditor requested each year, asked for accounts in the school's name, but this was never provided. Accounts could be opened in the school's name without knowledge of management or the board of education and there is no accountability for funds going in and out of the account

Recommendation –We recommend that the school include all funds in the school's name in their accounting records. This was added to the school's records prior to June 30, 2016.

2016-3 Finding

Statement of Condition – We noted an expenditure from the transportation bond fund for a transmission repair in the amount of \$1,130. The transportation bond fund states its purpose as "to acquire vehicles for pupil transportation". It does not include repairs for pupil transportation.

Criteria– Bond funds can only be spent for the specific purposes they were approved.

Cause/Effect of Condition –The school assumed that the repair was included in the purpose. Expenditures were made from the bond fund that were not on the proposition approved by the voters.

Recommendation – School bond fund expenditures should only be used for the purpose approved in the proposition.

2016-4 Finding

Statement of Condition –The Activity Fund FFA Sponsor sold snacks out of her classroom during the school year. We have noted that no deposits were made for the cash collected. She was using cash to purchase more products. The Superintendent was the one who noted the misappropriation of cash and the sponsor was let go. We also noted that the deposits for the blue and gold fundraiser sales don't match the dates and amounts of student receipts so it appears deposits were not made timely.

Criteria–All funds collected by sponsors should be receipted and turned over for deposit daily.

Cause/Effect of Condition – The school's internal control procedures, do not require a reconciliation of fundraisers so there is no accountability for fundraiser profit. When sponsors have no accountability for fundraiser collections, the risk of fraud is increased.

Recommendation – All sponsors should be filling out a reconciliation form for all fundraisers held for the school.

2016-5 Finding

Statement of Condition – During our testing of goods and services we noted 18 of 48 purchase orders tested did not have a signature of the employee receiving the goods or services. Also, on 4 of 48 purchase orders tested, the purchase order was dated after the invoice date.

Criteria– The purchase order should initiate the purchasing process. Payment should not be made unless the invoice has a signature of the person verifying the goods or services were actually received.

Cause/Effect of Condition – School employees were not following school procedures. Items could be paid for without actually receiving the goods or services if there is no one verifying the receipt. Items could be ordered without approval if the invoice is dated prior to the purchase order date.

Recommendation – The purchase order should initiate the purchasing procedure. Invoices should have the initial of the person receiving the goods or services prior to payment.

2016-6 Finding

Statement of Condition – During our testing of payroll we noted the following deficiencies:

- 1.The school did not prepare a contract or require time sheets be prepared for the payroll clerk.
2. The school did not provide a contract for a janitor. They did provide time sheets for the janitor, however, the time sheets were not signed by a supervisor.
3. There was no documentation provided for substitute bus driving for any substitutes.
4. One of the six contracts tested did not have the signature of the employee. Also, the amount listed on the contract as extra duty was \$11,700, but the extra duty contract totaled \$11,900.

Criteria–Oklahoma Statutes require contracts be prepared for amounts paid over \$500. These contracts are to be signed by the employee and a supervisor. In addition, under the "Fair Labor Standards Act", time sheets should be kept for non exempt employees. These time sheets should be signed by the employee and a supervisor verifying the time was actually worked. Extra duty pay, such as bus driving should be supported by some kind of documentation stating the date worked as well as signatures of the person driving and the signature of a supervisor.

Cause/Effect of Condition –Management was not aware that these internal control procedures were not being followed. Employees could be paid for time not worked or paid more than the amount intended by the board of education, when no contract is signed and time sheets are not prepared and/or not signed by the employee and supervisor.

Recommendation – Contracts should be prepared and signed by the board of education and the employee and time sheets should be prepared and signed for all non exempt employees and documentation provided for extra duty work, such as bus driving. Care should be taken to ensure that amounts paid agree to the contracts and that contracts are accurate.

Compliance and Other Matters

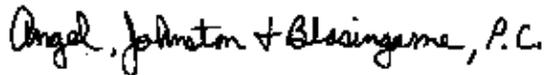
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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.



Chickasha, Oklahoma
November 2, 2016

OTHER INFORMATION

Paoli ISD No. 5, Garvin County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2016

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 2015-2016.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2016

Notary Public

My Commission Expires 07-01-18

Paoli ISD No. 5, Garvin County
Disposition of Prior Year Audit Findings
Year Ended June 30, 2016

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.

Current Status – This was not noted for the 2015-2016 year.

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.

Current Status – This was corrected for the 2015-2016 year.

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.

Current Status – This was much improved for the 2015-16 year.

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.

Current Status – This was corrected for the 2015-16 year.

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 locate 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.

Current Status – This was not noted for the 2015-16 year.

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.

Current Status – They installed filtered water fountains so hardly any water is sold. We did not note any problems with collections for 2015-16.

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.

Current Status – We did not note any federal coding issues for the 2015-16 year.

SCHOOL'S CORRECTIVE ACTION PLAN

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 1

DESCRIPTION OF FINDING: Treasurer was only bonded for \$25,000 instead of \$100,000.

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: The school was not aware of this requirement and we did not realize the risk of loss of any amounts of theft by the treasurer over \$25,000. The insurance company has been contacted to raise the limit of the bond to \$100,000.00.

COMPLETION DATE: October 21, 2016

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 2

DESCRIPTION OF FINDING: Paoli Public School had money invested in a CD for the Lovey Dulin Scholarship fund. We were not aware this had to be recorded in the activity fund books.

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: The school was not aware of this requirement for money to be shown in the activity fund accounting records. All funds have been included in the school's accounting records and was done before June 30, 2016

COMPLETION DATE: October 21, 2016

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 3

DESCRIPTION OF FINDING: A warrant was issued out of the transportation bond fund for the expense of transmission repair on one of the transportation vehicles. The transportation bond fund states its purpose is to acquire vehicles for student transportation.

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: The school was not aware that monies could only be spent for the acquisition of transportation vehicles. In the future no expenditures will occur out of any bond funds unless it is a specific purpose on the bond.

COMPLETION DATE: October 21, 2016

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 4

DESCRIPTION OF FINDING: The activity fund FFA Sponsor sold snacks out of her classroom during the school year but noted no deposits were made for the cash collected. The sponsor was using the cash to purchase more products. The superintendent discovered the misappropriation of funds and the sponsor was dismissed from her duties. Also, money raised for meat sales did not match the dates and amounts of student receipts

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: All funds collected by sponsors will be receipted and turned over daily for a deposit by school office personnel. All sponsors will be held accountable for filling out a reconciliation form for all fundraisers held for the school

COMPLETION DATE: October 21, 2016

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 5

DESCRIPTION OF FINDING: During testing of goods the auditors discovered several purchase orders tested did not have a signature of the employee receiving the goods. Also 4 of the purchase orders tested were dated after the invoice was issued.

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: We will insure the purchase order process begins with the purchasing process. Invoices will have initials of the person receiving the goods or services prior to payment.

COMPLETION DATE: October 21, 2016

PAOLI PUBLIC SCHOOL DISTRICT

GARVIN COUNTY

AUDIT FINDINGS CORRECTIVE ACTION PLAN

AUDIT YEAR FY 2016

AUDIT FINDING REFERENCE NUMBER: 2016 FINDING 6

DESCRIPTION OF FINDING: During the testing of payroll by auditors it was noted that the school did not prepare a contract or require time sheets for the payroll clerk, the contract for the janitor was not available and time sheets for him were not signed by supervisor. No documentation was available for substitute bus drivers and one contract was not signed by the employee.

CONTACT PERSON: David Morris, Superintendent

STEPS IMPLEMENTED: Contracts will be prepared and signed by the board of education and the employee and time sheets should be prepared and signed for all non-exempt employees and documentation provided for extra duty work, such as bus driving. Care will be taken to ensure that amount paid agree to contracts and that contracts are accurate.

COMPLETION DATE: October 21, 2016