

PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. 18
GARVIN COUNTY, OKLAHOMA
JUNE 30, 2013

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PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. 18

GARVIN COUNTY, OKLAHOMA

JUNE 30, 2013

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**PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. I-18, GARVIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Pauls Valley Independent School District #18
Garvin County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Pauls Valley Independent School District #18**, Garvin County, Oklahoma, as of and for the year ended June 30, 2013, 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. 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 described in Note 1, the financial statements are prepared by **Pauls Valley Independent School District #18**, 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 **Pauls Valley Independent School District #18**, Garvin County, Oklahoma, as of June 30, 2013, 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 equity arising from regulatory basis transactions of each fund type and account group of **Pauls Valley Independent School District, #18**, Garvin County, Oklahoma as of June 30, 2013, 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 **Pauls Valley Independent School District #18, Garvin County, Oklahoma’s** combined financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements.

The combining financial statements 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 12, 2013, on our consideration of the **Pauls Valley Independent School District, #18, 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 **Pauls Valley Independent School District, #18, Garvin County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
November 12, 2013

COMBINED FINANCIAL STATEMENTS

Pauls Valley School District No. I-018, Garvin County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2013

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2013
Cash and Cash Equivalents	\$ 1,796,164	\$ 534,764	\$ 568,136	\$ 497,148	\$ 261,250	\$ 0	\$ 3,657,462
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	568,136	568,136
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,381,865	1,381,865
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	4,926,950	4,926,950
Total Assets	\$ 1,796,164	\$ 534,764	\$ 568,136	\$ 497,148	\$ 261,250	\$ 6,876,950	\$ 10,534,412
 LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 191,131	\$ 40,153	\$ 0	\$ 0	\$ 0	\$ 0	\$ 231,284
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	226,955	0	226,955
General Obligation Bonds Payable	0	0	0	0	0	1,950,000	1,950,000
Capitalized Lease Obligations Payable	0	0	0	0	0	4,926,950	4,926,950
Total Liabilities	\$ 191,131	\$ 40,153	\$ 0	\$ 0	\$ 226,955	\$ 6,876,950	\$ 7,335,189
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 568,136	\$ 0	\$ 0	\$ 0	\$ 568,136
Capital Projects	0	0	0	497,148	0	0	497,148
Building Programs	0	443,449	0	0	0	0	443,449
Child Nutrition Programs	0	29,104	0	0	0	0	29,104
Cooperative Programs	0	22,059	0	0	0	0	22,059
Trust Funds	0	0	0	0	34,295	0	34,295
Unassigned	1,605,033	0	0	0	0	0	1,605,033
Total Fund Balances	\$ 1,605,033	\$ 494,612	\$ 568,136	\$ 497,148	\$ 34,295	\$ 0	\$ 3,199,223
Total Liabilities and Fund Balances	\$ 1,796,164	\$ 534,764	\$ 568,136	\$ 497,148	\$ 261,250	\$ 6,876,950	\$ 10,534,412

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

Pauls Valley School District No. I-018, Garvin County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2013

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
Revenue Collected:					
Local Sources	\$ 1,462,285	\$ 1,002,693	\$ 608,256	\$ 326,660	\$ 3,399,893
Intermediate Sources	226,068	0	0	0	226,068
State Sources	5,695,692	9,034	0	0	5,704,726
Federal Sources	778,683	429,505	0	0	1,208,188
Non-Revenue Receipts	30,008	89,582	3,915	0	123,505
<i>Total Revenue Collected</i>	<u>\$ 8,192,736</u>	<u>\$ 1,530,814</u>	<u>\$ 612,171</u>	<u>\$ 326,660</u>	<u>\$ 10,662,380</u>
Expenditures Paid:					
Instruction	\$ 5,331,852	\$ 649,915	\$ 0	\$ 110,531	\$ 6,092,298
Support Services	2,859,999	124,409	0	747,627	3,732,034
Operation of Non-Instructional Services	52,761	535,848	0	0	588,609
Facilities Acquisition and Construction	0	0	0	406,817	406,817
Other Outlays	122,932	44,518	0	0	167,450
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	6	0	0	0	6
Debt Service:					
Principal Retirement	0	0	645,000	0	645,000
Interest and Fiscal Agent Fees	0	0	34,466	0	34,466
<i>Total Expenditures Paid</i>	<u>\$ 8,367,549</u>	<u>\$ 1,354,691</u>	<u>\$ 679,466</u>	<u>\$ 1,264,974</u>	<u>\$ 11,666,680</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (174,813)</u>	<u>\$ 176,123</u>	<u>\$ (67,296)</u>	<u>\$ (938,315)</u>	<u>\$ (1,004,300)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 2,450</u>	<u>\$ 0</u>	<u>\$ 291,898</u>	<u>\$ 294,348</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 356	\$ 55	\$ 0	\$ 0	\$ 411
Bond Proceeds	0	0	0	675,000	675,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 356</u>	<u>\$ 55</u>	<u>\$ 0</u>	<u>\$ 675,000</u>	<u>\$ 675,411</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (174,457)</u>	<u>\$ 178,628</u>	<u>\$ (67,296)</u>	<u>\$ 28,584</u>	<u>\$ (34,541)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,779,489</u>	<u>315,984</u>	<u>635,431</u>	<u>468,565</u>	<u>3,199,469</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,605,033</u>	<u>\$ 494,612</u>	<u>\$ 568,136</u>	<u>\$ 497,148</u>	<u>\$ 3,164,928</u>

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

Pauls Valley School District No.1-018, Garvin County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2013

	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	\$ 1,221,193	\$ 1,221,193	\$ 1,462,285	\$ 1,022,561	\$ 1,022,561	\$ 1,002,693	\$ 575,910	\$ 575,910	\$ 608,256
Intermediate Sources	246,000	246,000	226,068	0	0	0	0	0	0
State Sources	5,342,893	5,342,893	5,695,692	8,000	8,000	9,034	0	0	0
Federal Sources	576,350	576,350	778,683	362,000	417,000	429,505	0	0	0
Non-Revenue Receipts	0	0	30,008	0	0	89,582	0	0	3,915
<i>Total Revenue Collected</i>	<u>\$ 7,386,436</u>	<u>\$ 7,386,436</u>	<u>\$ 8,192,736</u>	<u>\$ 1,392,561</u>	<u>\$ 1,447,561</u>	<u>\$ 1,530,814</u>	<u>\$ 575,910</u>	<u>\$ 575,910</u>	<u>\$ 612,171</u>
Expenditures Paid:									
Instruction	\$ 6,309,041	\$ 6,125,761	\$ 5,331,852	\$ 764,153	\$ 719,486	\$ 649,915	\$ 0	\$ 0	\$ 0
Support Services	2,787,250	2,864,184	2,859,999	547,407	547,555	124,409	0	0	0
Operation of Non-Instructional Services	0	52,761	52,761	484,985	539,985	535,848	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	69,634	123,219	122,932	0	44,518	44,518	1,211,342	1,211,342	679,466
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	6	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 9,165,925</u>	<u>\$ 9,165,925</u>	<u>\$ 8,367,549</u>	<u>\$ 1,796,545</u>	<u>\$ 1,851,545</u>	<u>\$ 1,354,691</u>	<u>\$ 1,211,342</u>	<u>\$ 1,211,342</u>	<u>\$ 679,466</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,779,489)</u>	<u>\$ (1,779,489)</u>	<u>\$ (174,813)</u>	<u>\$ (403,984)</u>	<u>\$ (403,984)</u>	<u>\$ 176,123</u>	<u>\$ (635,431)</u>	<u>\$ (635,431)</u>	<u>\$ (67,296)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,450</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 356	\$ 0	\$ 0	\$ 55	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	88,000	88,000	0	0	0	0
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>\$ 356</u>	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 55</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>\$ (1,779,489)</u>	<u>\$ (1,779,489)</u>	<u>\$ (174,457)</u>	<u>\$ (315,984)</u>	<u>\$ (315,984)</u>	<u>\$ 178,628</u>	<u>\$ (635,431)</u>	<u>\$ (635,431)</u>	<u>\$ (67,296)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,779,489</u>	<u>1,779,489</u>	<u>1,779,489</u>	<u>315,984</u>	<u>315,984</u>	<u>315,984</u>	<u>635,431</u>	<u>635,431</u>	<u>635,431</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,605,033</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 494,612</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 568,136</u>

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

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Pauls Valley Public Schools Independent District No. 18, 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."

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, Cooperative Fund and the Child Nutrition Fund.

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

Cooperative Fund - The Cooperative Fund is established when the boards of education of two or more school districts enter into cooperative agreement and maintain joint programs. The revenues necessary to operate this cooperative program come from federal Carl Perkins funds. The expenditures for this fund consist of those necessary to operate and maintain the joint programs. Wynnewood is the LEA for the cooperative.

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.

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 Districts 2011 Combined Purpose Building bond issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and purchasing transportation equipment..

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.
2. **Nonexpendable/Expendable Trust** – The nonexpendable and expendable trusts, among other things, includes certain endowment funds which provide scholarships to graduating seniors.

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.

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

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

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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

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

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

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

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

Inventories - The value of consumable inventories at June 30, 2013, 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

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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

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

intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

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

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

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

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.

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.

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2013:

			<u>Carrying Value</u>
Deposits			
Demand Deposits	\$	3,666,803	
Time Deposits		0	
Total Deposits	\$	<u>3,666,803</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	\$	3,657,462	
Activity Fund Outstanding Checks		9,341	
Total Deposits and Investments	\$	<u>3,666,803</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.

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, 2013, 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, 2013, the District had no concentration of credit risk as defined above.

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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, 2013:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	1,920,000	0	0	1,920,000
Additions	675,000	4,926,950	0	5,601,950
Retirements	-645,000	0	0	-645,000
Balance, June 30, 2013	1,950,000	4,926,950	0	6,876,950

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2012 Combined Purpose Bonds	1.00%	July 1, 2015	\$ 675,000	\$ 675,000
2011 Combined Purpose Bonds	1.0-1.65%	July 1, 2016	1,250,000	940,000
2008 Building Bonds	2.7%-4.1%	July 1, 2013	505,000	135,000
2006 Building Bonds	3.8%-3.95%	July 1, 2013	1,840,000	200,000
Totals			\$ 4,270,000	\$ 1,950,000

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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

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

		Principal	Interest	Total
2012 Combined Purpose Bonds				
2013-14	\$	0	\$ 6,750	\$ 6,750
2014-15		320,000	6,750	326,750
2015-16		355,000	3,550	358,550
Sub Total	\$	675,000	\$ 17,050	\$ 692,050
2011 Combined Purpose Bonds				
2013-14	\$	310,000	\$ 12,410	\$ 322,410
2014-15		310,000	9,310	319,310
2015-16		320,000	5,280	325,280
Sub Total	\$	940,000	\$ 27,000	\$ 967,000
2008 Building Bonds				
2013-14	\$	135,000	\$ 3,983	\$ 138,983
Sub Total	\$	135,000	\$ 3,983	\$ 138,983
2006 Building Bonds				
2011-14	\$	200,000	\$ 7,700	\$ 207,700
Sub Total	\$	200,000	\$ 7,700	\$ 207,700
Total Bonds	\$	1,950,000	\$ 55,733	\$ 2,005,733

Interest expense on bonds payable incurred during the current year totaled \$34,466.

The District has entered into a lease agreement as lessee for financing the construction of buildings through the Garvin County Educational Facilities Authority. This lease agreement qualifies as capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. This lease contains a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets as 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:

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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

				Garvin County	
				Educational	
	Year Ending			Facilities	
	June 30			Authority	Total
	2014			\$ 335,750	\$ 335,750
	2015			573,900	573,900
	2016			573,900	573,900
	2017			573,900	573,900
	2018			573,900	573,900
	2019			573,900	573,900
	2020			573,900	573,900
	2021			573,900	573,900
	2022			573,900	573,900
	Total			\$ 4,926,950	\$ 4,926,950
	Less: Amount Representing Interest			0	0
	Present Value of Future Minimum Lease Payments			\$ 4,926,950	\$ 4,926,950

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, 2013. 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%.

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 4 - Employee Retirement System, (continued)

The District's contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$503,049, \$491,833, and \$477,370 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$5,081,136; the District's total compensation was \$6,454,628. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$22,459). There were \$262,435 contributions made by employees during the year ended June 30, 2013.

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, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</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, 2012. 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 District is currently involved in pending or threatened litigation, the results of which are undeterminable. Therefore, any fair value of these contingencies cannot be reasonably estimated.

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

Pauls Valley ISD No. 18, Garvin County
Notes To The Financial Statements
For The Year Ended June 30, 2013

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 – Budget Amendments

The Child Nutrition Fund Budget was amended during the year by filing a supplemental appropriation with the county clerk’s office. The supplemental appropriation was filed June 26, 2013 in the amount of \$55,000. This increased the original Child Nutrition Fund Budget from \$484,985 to \$539,985.

Note 9 – Surety Bonds

The treasurer is bonded by Western Surety Company bond number 18097435 for the penal sum of \$100,000 for the term July 22, 2012 to July 22, 2013.

The superintendent is bonded by Western Surety Company bond number 18099164 for the penal sum of \$100,000 for the term June 29, 2012 to June 29, 2013.

The following positions are bonded by Western Surety Company bond number 18099164 for the period June 29, 2012 to June 29, 2013.:

Child Nutrition Clerks /Director	\$10,000
Activity Fund Clerks	10,000
Encumbrance Clerk /Activity Fund Custodian/Minutes Clerk	100,000
Payroll Clerk	100,000
Athletic Director	25,000

OTHER SUPPLEMENTAL INFORMATION

Pauls Valley School District No. 1-18, Garvin Count, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2013

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Total June 30, 2013</u>
Cash and Cash Equivalents	\$ 443,449	\$ 40,881	\$ 50,434	\$ 534,764
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 443,449</u>	<u>\$ 40,881</u>	<u>\$ 50,434</u>	<u>\$ 534,764</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants Payable	\$ 0	\$ 11,777	\$ 28,376	\$ 40,153
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 11,777</u>	<u>\$ 28,376</u>	<u>\$ 40,153</u>
Fund Balances:				
Restricted	\$ 443,449	\$ 29,104	\$ 22,059	\$ 494,612
<i>Total Fund Balances</i>	<u>\$ 443,449</u>	<u>\$ 29,104</u>	<u>\$ 22,059</u>	<u>\$ 494,612</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 443,449</u>	<u>\$ 40,881</u>	<u>\$ 50,434</u>	<u>\$ 534,764</u>

Pauls Valley School District No.1-018, Garvin County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2013

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Cooperative Fund</u>	<u>Total June 30, 2013</u>
Revenue Collected:				
Local Sources	\$ 186,214	\$ 19,996	\$ 796,483	\$ 1,002,693
Intermediate Sources	0	0	0	0
State Sources	0	9,034	0	9,034
Federal Sources	0	423,556	5,950	429,505
Non-Revenue Receipts	0	89,582	0	89,582
<i>Total Revenue Collected</i>	<u>\$ 186,214</u>	<u>\$ 542,167</u>	<u>\$ 802,433</u>	<u>\$ 1,530,814</u>
Expenditures Paid:				
Instruction	\$ 0	\$ 0	\$ 649,915	\$ 649,915
Support Services	16,639	0	107,770	124,409
Operation of Non-Instructional Services	0	535,848	0	535,848
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	44,518	44,518
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>\$ 16,639</u>	<u>\$ 535,848</u>	<u>\$ 802,203</u>	<u>\$ 1,354,691</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 169,575</u>	<u>\$ 6,319</u>	<u>\$ 230</u>	<u>\$ 176,123</u>
Adjustments to Prior Year Encumbrances	<u>\$ 2,450</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,450</u>
Other Financing Sources (Uses):				
Estopped Warrants	\$ 0	\$ 0	\$ 55	\$ 55
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55</u>	<u>\$ 55</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 172,025</u>	<u>\$ 6,319</u>	<u>\$ 284</u>	<u>\$ 178,628</u>
<i>Fund Balance - Beginning of Year</i>	<u>271,424</u>	<u>22,785</u>	<u>21,774</u>	<u>315,984</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 443,449</u></u>	<u><u>\$ 29,104</u></u>	<u><u>\$ 22,059</u></u>	<u><u>\$ 494,612</u></u>

Pauls Valley School District No. I-018, Garvin County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Budget and Actual
 For the Year Ending June 30, 2013

	Building Fund			Cooperative Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:												
Local Sources	\$ 168,361	\$ 168,361	\$ 186,214	\$ 850,000	\$ 850,000	\$ 796,483	\$ 4,200	\$ 4,200	\$ 19,996	\$ 1,022,561	\$ 1,022,561	\$ 1,002,693
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	0	0	0	8,000	8,000	9,034	8,000	8,000	9,034
Federal Sources	0	0	0	0	0	5,950	362,000	417,000	423,556	362,000	417,000	429,505
Non-Revenue Receipts	0	0	0	0	0	0	0	0	89,582	0	0	89,582
<i>Total Revenue Collected</i>	<u>\$ 168,361</u>	<u>\$ 168,361</u>	<u>\$ 186,214</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 802,433</u>	<u>\$ 374,200</u>	<u>\$ 429,200</u>	<u>\$ 542,167</u>	<u>\$ 1,392,561</u>	<u>\$ 1,447,561</u>	<u>\$ 1,530,814</u>
Expenditures Paid:												
Instruction	\$ 0	\$ 0	\$ 0	\$ 764,153	\$ 719,486	\$ 649,915	\$ 0	\$ 0	\$ 0	\$ 764,153	\$ 719,486	\$ 649,915
Support Services	439,786	439,786	16,639	107,621	107,770	107,770	0	0	0	547,407	547,555	124,409
Operation of Non-Instructional Services	0	0	0	0	0	0	484,985	539,985	535,848	484,985	539,985	535,848
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	44,518	44,518	0	0	0	0	44,518	44,518
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 439,786</u>	<u>\$ 439,786</u>	<u>\$ 16,639</u>	<u>\$ 871,774</u>	<u>\$ 871,774</u>	<u>\$ 802,203</u>	<u>\$ 484,985</u>	<u>\$ 539,985</u>	<u>\$ 535,848</u>	<u>\$ 1,796,545</u>	<u>\$ 1,851,545</u>	<u>\$ 1,354,691</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (271,424)	\$ (271,424)	\$ 169,575	\$ (21,774)	\$ (21,774)	\$ 230	\$ (110,785)	\$ (110,785)	\$ 6,319	\$ (403,984)	\$ (403,984)	\$ 176,123
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 2,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,450
Other Financing Sources (Uses):												
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55
Transfers In	0	0	0	0	0	0	88,000	88,000	0	88,000	88,000	0
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 55</u>	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 0</u>	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 55</u>				
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (271,424)	\$ (271,424)	\$ 172,025	\$ (21,774)	\$ (21,774)	\$ 284	\$ (22,785)	\$ (22,785)	\$ 6,319	\$ (315,984)	\$ (315,984)	\$ 178,628
<i>Fund Balance - Beginning of Year</i>	271,424	271,424	271,424	21,774	21,774	21,774	22,785	22,785	22,785	315,984	315,984	315,984
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 443,449</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,059</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,104</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 494,612</u>

Pauls Valley School District No.1-018, Garvin County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Trust and Agency Funds - Regulatory Basis
For the Year Ending June 30, 2013

Trust Funds					
	Non Expendable	Expendable		Agency Fund	Total
	Rayburn Non Expendable Trust Fund	Nelson Expendable Trust Fund	Grimmet Expendable Trust Fund	School Activity Fund	
ASSETS					
Cash	\$ 25,738	\$ 37	\$ 8,520	\$ 226,955	\$ 261,250
Investments	0	0	0	0	0
<i>Total Assets</i>	25,738	37	8,520	\$ 226,955	261,250
 LIABILITIES AND FUND EQUITY					
Liabilities:					
Due To Activity Groups	0	0	0	\$ 226,955	226,955
<i>Total Liabilities</i>	0	0	0	\$ 226,955	226,955
Fund Equity:					
Unreserved/Undesignated	25,738	37	8,520	\$ 0	34,295
<i>Total Liabilities and Fund Equity</i>	25,738	37	8,520	\$ 226,955	261,250

Pauls Valley School District No.1-018, Garvin County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Agency Funds
For the Year Ending June 30, 2013

ACTIVITIES	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Athletics	\$ 28,225	\$ 271,409	\$ 281,641	\$ 17,994
Child Nutrition	0	99,912	99,584	329
Band	19,426	44,658	45,381	18,703
Band Boosters	1,595	16,635	9,288	8,942
GED	3,557	5,455	7,813	1,199
Cheerleaders-HS	3,868	22,831	24,404	2,296
Cheerleaders-JH	5,217	15,788	19,677	1,328
Clearing Fund Account	0	6,513	6,513	0
Faculty-HS	298	255	261	292
Faculty-Jackson	0	0	0	0
Faculty-Lee	1,087	85	69	1,103
Faculty-JH	60	0	0	60
FCA-HS	8	446	435	19
FFA	281	43,265	38,804	4,741
Senior Class 2013	1,293	1,334	2,502	125
FCCLA	796	2,326	3,121	0
Art-JH	294	1,658	1,830	122
General Activity	3,353	5,248	1,917	6,685
High School Fund	6,110	5,169	10,761	518
ABE	1,094	1,600	2,692	2
Jackson Elementary	23,769	23,839	30,154	17,454
Lee Elementary	8,066	27,754	23,677	12,143
Library-High School	564	0	551	13
High School Chorus	635	6,959	5,938	1,656
Junior High	2,427	12,343	12,969	1,801
Panther Sidekicks	10,740	4,730	8,532	6,938
Alumni Gifts	1,303	225	0	1,528
Senior Class of 2016	700	1,212	1,873	40
Junior High Library	247	2,106	1,919	434
PAC	13,193	38,514	40,766	10,941
Arts and Crafts	177	1,192	985	384
Prayer Warriors	227	2,952	2,779	400
Student Council-HS	50	0	0	50
Student Council-JH	709	853	680	882
Valley School-COOP	10,929	18,438	15,301	14,066
Yearbook-HS	3,434	14,018	11,860	5,592
National Honor Society	78	0	0	78
ELC (Early Learning Center)	5,514	11,080	10,356	6,238
Senior Clas of 2015	932	840	1,627	145
B.P.A.	738	2,551	2,648	641
Pom Squad	2,131	14,492	8,440	8,183
FCA-JH	70	1,200	1,200	70
Alt Academy	2,448	4,620	4,600	2,468
Key Club	2,646	500	438	2,708
Goddard Youth Camp	725	18,946	15,858	3,813
Grant Account	1,058	1,510	1,500	1,068
After School Program	15,577	940	8,351	8,166
High School Academic Team	209	1,240	562	888
Senior Class of 2014	0	8,746	7,920	826
Musical Festival	2,148	0	0	2,148
JH Yearbook	3	0	0	3
Speech & Drama-HS	427	0	0	427
JH Chorus	93	0	0	93
Pepsi Scholarship	4,000	2,000	0	6,000
Elementary Yearbook	3,834	3,016	5,204	1,645
Jr. Class Parents	0	7,263	5,851	1,412
Rentals	0	680	680	0
Westheimer Grant	0	41,152	0	41,152
Total Activities	\$ 196,370	\$ 820,498	\$ 789,913	\$ 226,955

Pauls Valley School District No.1-018, Garvin County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Trust Funds
For the Year Ending June 30, 2013

	<u>Non Expendable</u>	<u>Expendable</u>		<u>Total</u>
	<u>Rayburn Non-Expendable Trust Fund</u>	<u>Nelson Expendable Trust Fund</u>	<u>Grimmet Expendable Trust Fund</u>	
Revenue Collected				
Local Sources	\$ 80	\$ 4,004	\$ 163	\$ 4,248
Non Revenue Receipts	0	0	0	0
Total Revenue Collected	\$ 80	\$ 4,004	\$ 163	\$ 4,248
Expenditures Paid:				
Instruction	\$ 0	\$ 9,758	\$ 500	\$ 10,258
Support Services	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
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
Total Expenditures	\$ 0	\$ 9,758	\$ 500	\$ 10,258
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ 80	\$ (5,754)	\$ (337)	\$ (6,011)
Adjustments to Prior Year Encumbrances	0	0	0	0
Other Financing Sources (Uses)				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ 80	\$ (5,754)	\$ (337)	\$ (6,011)
Fund Balance - Beginning of Year	25,658	5,791	8,857	40,306
Fund Balance - End of Year	<u>\$ 25,738</u>	<u>\$ 37</u>	<u>\$ 8,520</u>	<u>\$ 34,295</u>

PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. I-18, GARVIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2012	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2013	Indirect Costs Included in Federal Expenditures
U.S. Department of Education							
Direct Programs:							
Indian Education Title VII	84.060A	561	0	46,817	46,817	0	0
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511	0	342,082	342,082	0	7,353
Title I Cluster			0	342,082	342,082	0	7,353
IDEA-B Flowthrough	84.027	621	0	263,186	263,186	0	0
IDEA-B Preschool	84.173	641	0	5,932	5,932	0	0
Special Education Cluster			0	269,118	269,118	0	0
Title II, Part A, (Note 3)	84.367	541	0	38,130	38,130	0	700
Title VI, Part B	84.358B	587	0	23,407	23,407	0	0
Adult Basic Education	84.002	731	-	47,374	85,927	(38,553)	0
Passed Through Oklahoma Department of Vocational Education							
Carl Perkins	84.048	421	0	0	10,220	(10,220)	0
Passed Through Oklahoma Department of Human Services							
Job Training (Note 4)	84.126	456		5,950	7,128	(671)	0
Total U.S. Department of Education			0	772,878	822,829	(49,444)	8,053
U.S. Department of the Interior							
Passed through the Chickasaw Nation:							
Johnson O'Malley	15.130	563	0	8,200	8,200	0	0
Total U.S. Department of the Interior			0	8,200	8,200	0	0
U.S. Department of Agriculture							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	35,270	115,526	115,526	35,270	0
Lunch Program	10.555	763	71,311	307,090	307,090	71,311	0
Summer Food Service Program	10.559	766	0	939	0	939	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	29,784	29,784	0	0
Child Nutrition Cluster			106,581	453,339	452,400	107,520	0
Total U.S. Department of Agriculture			106,581	453,339	452,400	107,520	0
U.S. Department of Homeland Security							
Passed Through Oklahoma Department of Emergency Management							
FEMA Disaster Grant - Public Assistance	97.036	594	0	3,556	0	3,556	0
Total U.S. Department of Homeland Security			0	3,556	0	3,556	0
TOTAL FEDERAL ASSISTANCE			106,581	1,237,973	1,283,429	61,632	8,053

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 in the amount of \$29,784 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - \$44,068 of Title II, Part A funds were transferred to Title I, Part A and are included in Title I revenues received.

Note 4 - The receivable has been limited to the actual amount received after 6-30-13. The school has coded more expenditures than will be reimbursed.



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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
Pauls Valley Independent School District #18
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 **Pauls Valley Independent School District #18**, Garvin County, Oklahoma, as of and for the year ended June 30, 2013, 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 12, 2013. 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 Pauls Valley Independent School District #18, 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-1, 2013-2)

Compliance and Other Matters

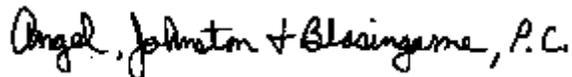
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Pauls Valley Independent School District #18, Oklahoma's, Response to Findings

Pauls Valley Independent School District #18, 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 12, 2013



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Board of Education
Pauls Valley Independent School District #I-18
Garvin County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Pauls Valley Independent School District #I-18**, Garvin County, Oklahoma's, compliance with the types of compliance requirements described in *the OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Pauls Valley Independent School District, I-18**, Garvin County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, **Pauls Valley Independent School District #I-18**, Garvin County, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

Pauls Valley Independent School District #I-18, Garvin County, Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 12, 2013

Pauls Valley ISD No. 18, Garvin County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---|
| 1. Type of auditor's report issued | Adverse
(Due to F/S being prepared on
a regulatory basis of accounting) |
| 2. Internal control over financial reporting; | |
| a. Material weaknesses identified? | No |
| b. Significant Deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant Deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553/10.555/10.559 84.010	Child Nutrition Fund Cluster Title I, Basic

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Pauls Valley ISD No. 18, Garvin County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(continued)

Section 2

Financial Statement Findings

2013-1 Finding

Statement of Condition - Timeline's of deposits for Jackson Elementary fundraisers could not be determined.

Criteria - Each student should be issued a dated pre-numbered receipt to determine if deposits are being made on a timely.

Cause/Effect of Condition - Teachers have a spreadsheet with a list of all students and total cash collected. Some teachers had students initial the spreadsheet and others did not. Students have no actual proof of how much or when monies were turned in. Timeliness and verification of revenue received cannot be corroborated.

Recommendation - Prenumbered receipts should be issued to each student with the date and amount received.

2013-2 Finding

Statement of Condition - The child nutrition local collections activity fund sub-account ended the year with a balance of \$328.75.

Criteria - The child nutrition local collections sub-account in the activity fund is required to be transferred to the child nutrition fund by June 30 of each year.

Cause/Effect of Condition - Payments for accounts receivable collected were made after the last transfer was made. The school transferred the balance in July, but as of June 30, 2013 the Child Nutrition Fund was understated due to the amounts not being transferred by June 30.

Recommendation - The school should review child nutrition activity fund sub account prior to year end to ensure all funds have been transferred to the Child Nutrition Fund account by June 30.

Section 3

Federal Award Findings and Questioned Costs

2013-3 Finding - Title I CFDA#84.010 for year ending June 30, 2013

Statement of Condition - No time and effort certifications were completed for the Title I program.

Criteria - In accordance with OMB Circular A-87, an employee who works on multiple activities or cost objectives must maintain time and effort distribution records. The employee must document the portion of time and effort dedicated to the federal program.

Cause/Effect of Condition - Management failed to complete time and effort certifications, therefore, no documentation exists to support that employees paid with Title 1 funds actually spent their time and effort on the Title 1 program.

Recommendation -The school should complete time and effort certifications when applicable.

OTHER INFORMATION

Pauls Valley ISD No. 18, Garvin County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Financial Statement Findings

2012-1 Finding

Statement of Condition - The district did not have adequate collateral pledged to cover their uninsured bank balance as of June 30, 2012.

Criteria - The school is required to have enough collateral pledged at all times to cover their bank balance in excess of FDIC insurance.

Cause/Effect of Condition - Treasurer had not checked to see that adequate collateral was pledged. This could lead to loss of school funds in excess of insurance in the event the bank is shut down.

Recommendation - We recommend the treasurer monitor collateral pledged at least once a month.

Current Status - Collateral pledged as of June 30, 2013 was adequate.

Federal Award Findings and Questioned Costs

2012-2 Finding - National School Lunch Program CFDA#10.553/10.555 for year ending June 30, 2012

Statement of Condition - 3 of 9 free/reduced lunch applications selected for verification had an incorrect determination made. One was determined to be free but should have been full-pay and 2 were determined to be free but should have been reduced.

Criteria - The determination should be based on the scale provided by the child nutrition department.

Cause/Effect of Condition - The person in charge of making the determination made incorrect determination. The Child Nutrition Department could require the school to refund money for incorrect determinations made.

Recommendation - Care should be taken to ensure the correct determinations are made.

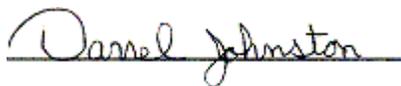
Current Status - We did not have any findings related to free and reduced lunch applications during the 2012-13 audit.

Pauls Valley ISD No. 18, Garvin County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2013

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 *Pauls Valley Schools* for the audit year 2012-2013.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____ 2013.

Notary Public

My Commission Expires 11-12-16

SCHOOL'S CORRECTIVE ACTION PLAN



PAULS VALLEY PUBLIC SCHOOLS

Darsha Huckabaa, Superintendent

PO Box 780, Pauls Valley, OK 73075

Phone (405) 238-6433

Fax (405) 238-9178

November 12, 2013

Pauls Valley Schools planned corrective action for each Finding on Exhibit E-2.

2013-1 Finding

Jackson Elementary has issued pre-numbered receipts for each student with the date and amount received.

2013-2 Finding

Pauls Valley Schools will review Child Nutrition's Activity Fund sub-account prior to year end to ensure all funds have been transferred to the Child Nutrition Account by June 30.

2013-3 Finding

Pauls Valley Schools will complete time and effort certifications when applicable.

Darsha Huckabaa 11-12-13
Superintendent Date