

**PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. 18**

GARVIN COUNTY, OKLAHOMA

JUNE 30, 2011

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GARVIN COUNTY, OKLAHOMA

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Schedule of Accountants' Professional Liability Insurance

Exhibit G-1

\* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

**PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. I-18, GARVIN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

President	Jeniece Tate
Vice President	Michelle Wood
Clerk	Emma Roberts
Member	Brett Agee
Member	Shelby Humphey
Member	Joe Don Looney

**SUPERINTENDENT OF SCHOOLS**

Bobby Russell/Darla Huckabaa

**ENCUMBRANCE CLERK**

Emma Roberts

**SCHOOL DISTRICT TREASURER**

John Pratt

## INDEPENDENT AUDITOR'S REPORT

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

### Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Pauls Valley Independent School District #18**, Garvin County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Pauls Valley Independent School District #18**, Garvin County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

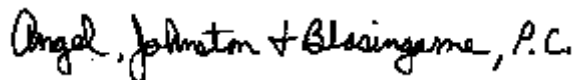
In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity 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, 2011, or the changes in its financial position for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth 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 School District, No 18**, Garvin County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the School District'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 Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise **Pauls Valley Independent School District #18**, Garvin County, Oklahoma, as a whole. The combining fund statements and other schedules 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 accompanying 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 of **Pauls Valley Independent School District #18**, Garvin County, Oklahoma. The combining fund 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.



Chickasha, Oklahoma  
December 13, 2011

## COMBINED FINANCIAL STATEMENTS

**Pauls Valley School District No.1-018, Garvin County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Equity**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2011**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
<b><u>ASSETS</u></b>	<b><u>General</u></b>	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>	<b><u>Capital Projects</u></b>	<b><u>Trust and Agency</u></b>	<b><u>General Long- Term Debt</u></b>	<b><u>June 30, 2011</u></b>
Cash and Cash Equivalents	\$ 1,479,835	\$ 237,719	\$ 670,019	\$ 1,337,098	\$ 225,273	\$ 0	\$ 3,949,944
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	670,019	670,019
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,864,981	1,864,981
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	15,230	15,230
<b><i>Total Assets</i></b>	<b><u>\$ 1,479,835</u></b>	<b><u>\$ 237,719</u></b>	<b><u>\$ 670,019</u></b>	<b><u>\$ 1,337,098</u></b>	<b><u>\$ 225,273</u></b>	<b><u>\$ 2,550,230</u></b>	<b><u>\$ 6,500,174</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Liabilities:							
Warrants Payable	\$ 276,585	\$ 32,869	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,454
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	180,472	0	180,472
General Obligation Bonds Payable	0	0	0	0	0	2,535,000	2,535,000
Capitalized Lease Obligations Payable	0	0	0	0	0	15,230	15,230
<b><i>Total Liabilities</i></b>	<b><u>\$ 276,585</u></b>	<b><u>\$ 32,869</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 180,472</u></b>	<b><u>\$ 2,550,230</u></b>	<b><u>\$ 3,040,156</u></b>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 670,019	\$ 0	\$ 0	\$ 0	\$ 670,019
Reserved for Capital Projects	0	0	0	1,337,098	0	0	1,337,098
Cash Fund Balance	1,203,250	204,849	0	0	44,801	0	1,452,901
<b><i>Total Fund Equity</i></b>	<b><u>\$ 1,203,250</u></b>	<b><u>\$ 204,849</u></b>	<b><u>\$ 670,019</u></b>	<b><u>\$ 1,337,098</u></b>	<b><u>\$ 44,801</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 3,460,018</u></b>
<b><i>Total Liabilities and Fund Equity</i></b>	<b><u>\$ 1,479,835</u></b>	<b><u>\$ 237,719</u></b>	<b><u>\$ 670,019</u></b>	<b><u>\$ 1,337,098</u></b>	<b><u>\$ 225,273</u></b>	<b><u>\$ 2,550,230</u></b>	<b><u>\$ 6,500,174</u></b>

**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, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
<b>Revenue Collected:</b>					
Local Sources	\$ 1,506,460	\$ 1,068,696	\$ 649,382	\$ 165,877	\$ 3,390,415
Intermediate Sources	188,894	0	0	0	188,894
State Sources	5,984,056	9,651	0	0	5,993,707
Federal Sources	1,315,936	413,877	0	0	1,729,812
Non-Revenue Receipts	125	0	0	0	125
<i>Total Revenue Collected</i>	<u>\$ 8,995,470</u>	<u>\$ 1,492,225</u>	<u>\$ 649,382</u>	<u>\$ 165,877</u>	<u>\$ 11,302,954</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 5,357,253	\$ 633,977	\$ 0	\$ 0	\$ 5,991,230
Support Services	2,767,835	342,893	0	87,143	3,197,871
Operation of Non-Instructional Services	113,422	469,820	0	0	583,242
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	29,737	108,814	0	0	138,551
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	660,000	0	660,000
Interest and Fiscal Agent Fees	0	0	81,948	0	81,948
<i>Total Expenditures Paid</i>	<u>\$ 8,268,247</u>	<u>\$ 1,555,504</u>	<u>\$ 741,948</u>	<u>\$ 87,143</u>	<u>\$ 10,652,841</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 727,223</u>	<u>\$ (63,279)</u>	<u>\$ (92,565)</u>	<u>\$ 78,734</u>	<u>\$ 650,113</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 459	\$ 185	\$ 0	\$ 0	\$ 644
Bond Proceeds	0	0	0	1,250,000	1,250,000
Transfers In	0	105,252	0	0	105,252
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 459</u>	<u>\$ 105,437</u>	<u>\$ 0</u>	<u>\$ 1,250,000</u>	<u>\$ 1,355,896</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 727,682</u>	<u>\$ 42,158</u>	<u>\$ (92,565)</u>	<u>\$ 1,328,734</u>	<u>\$ 2,006,010</u>
<i>Fund Balance - Beginning of Year</i>	<u>475,568</u>	<u>162,691</u>	<u>762,584</u>	<u>8,363</u>	<u>1,409,207</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,203,250</u>	<u>\$ 204,849</u>	<u>\$ 670,019</u>	<u>\$ 1,337,098</u>	<u>\$ 3,415,216</u>

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, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 1,305,892	\$ 1,305,892	\$ 1,506,460	\$ 930,606	\$ 1,030,606	\$ 1,068,696	\$ 618,581	\$ 618,581	\$ 649,382
Intermediate Sources	202,403	202,403	188,894	0	0	0	0	0	0
State Sources	5,259,016	5,259,016	5,984,056	11,771	11,771	9,651	0	0	0
Federal Sources	1,693,539	1,693,539	1,315,936	410,315	410,315	413,877	0	0	0
Non-Revenue Receipts	125	125	125	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 8,460,975</u>	<u>\$ 8,460,975</u>	<u>\$ 8,995,470</u>	<u>\$ 1,352,692</u>	<u>\$ 1,452,692</u>	<u>\$ 1,492,225</u>	<u>\$ 618,581</u>	<u>\$ 618,581</u>	<u>\$ 649,382</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 5,979,986	\$ 5,979,986	\$ 5,357,253	\$ 549,335	\$ 649,335	\$ 633,977	\$ 0	\$ 0	\$ 0
Support Services	2,828,979	2,828,979	2,767,835	419,974	419,974	342,893	0	0	0
Operation of Non-Instructional Services	113,422	113,422	113,422	549,196	549,196	469,820	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	32,337	32,337	29,737	108,814	108,814	108,814	1,381,165	1,381,165	741,947
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 8,954,724</u>	<u>\$ 8,954,724</u>	<u>\$ 8,268,247</u>	<u>\$ 1,627,319</u>	<u>\$ 1,727,319</u>	<u>\$ 1,555,504</u>	<u>\$ 1,381,165</u>	<u>\$ 1,381,165</u>	<u>\$ 741,947</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	\$ (493,749)	\$ (493,749)	\$ 727,223	\$ (274,626)	\$ (274,626)	\$ (63,279)	\$ (762,584)	\$ (762,584)	\$ (92,565)
<b>Adjustments to Prior Year Encumbrances</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 459	\$ 0	\$ 0	\$ 185	\$ 0	\$ 0	\$ 0
Transfers In	18,181	18,181	0	111,935	111,935	105,252	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 18,181</u>	<u>\$ 18,181</u>	<u>\$ 459</u>	<u>\$ 111,935</u>	<u>\$ 111,935</u>	<u>\$ 105,437</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	\$ (475,568)	\$ (475,568)	\$ 727,682	\$ (162,691)	\$ (162,691)	\$ 42,158	\$ (762,584)	\$ (762,584)	\$ (92,565)
<i>Fund Balance - Beginning of Year</i>	475,568	475,568	475,568	162,691	162,691	162,691	762,584	762,584	762,584
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,203,250</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 204,849</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 670,020</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, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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 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.

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**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, 2011, 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 – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**1.F. Revenue, Expenses, and Expenditures**

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

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

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2011:

		Carrying Value
Deposits		
Demand Deposits	\$	3,972,920
Time Deposits		0
Total Deposits	\$	3,972,920
Investments		
	Credit Rating	Maturity
		Fair Value
		\$
Total Investments		0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	3,949,944
Activity Fund Outstanding Checks		22,976
Total Deposits and Investments	\$	3,972,920

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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

At June 30, 2011, 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 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, 2011, as defined above.



**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**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, 2011, the District had no concentration of credit risk as defined above.

**Note 3 - General Long-term Debt**

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

General long-term debt of the District consists of bonds payable and capital 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, 2011:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	1,945,000	460,893	0	2,405,893
Adjustments	0	-435,831	0	-435,831
Additions	1,250,000	67,377	0	1,317,377
Retirements	-660,000	-77,209	0	-737,209
Balance, June 30, 2011	2,535,000	15,230	0	2,550,230

A brief description of the outstanding general obligation bond issues at June 30, 2011, is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2011 Combined Purpose Bonds	1.0-1.65%	July 1, 2016	\$ 1,250,000	\$ 1,250,000
2008 Building Bonds	2.7%-4.1%	July 1, 2013	505,000	405,000
2006 Building Bonds	3.8%-3.95%	July 1, 2013	<u>1,840,000</u>	<u>880,000</u>
<b>Totals</b>			<b>\$ <u>3,595,000</u></b>	<b>\$ <u>2,535,000</u></b>

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2011 Combined Purpose Bonds</b>			
2011-12	\$ 310,000	\$ 5,038	\$ 315,038
2012-13	310,000	3,358	313,358
2013-14	310,000	4,366	314,366
2014-15	320,000	5,720	325,720
<b>Sub Total</b>	<b>\$ 1,250,000</b>	<b>\$ 18,482</b>	<b>\$ 1,268,482</b>
<b>2008 Building Bonds</b>			
2011-12	\$ 135,000	\$ 0	\$ 135,000
2012-13	135,000	3,848	138,848
2013-14	135,000	3,983	138,983
<b>Sub Total</b>	<b>\$ 405,000</b>	<b>\$ 7,830</b>	<b>\$ 412,830</b>
<b>2006 Building Bonds</b>			
2011-12	\$ 480,000	\$ 0	\$ 480,000
2011-13	200,000	7,600	207,600
2011-14	200,000	7,700	207,700
<b>Sub Total</b>	<b>\$ 880,000</b>	<b>\$ 15,300</b>	<b>\$ 895,300</b>
<b>Total Bonds</b>	<b>\$ 2,535,000</b>	<b>\$ 41,612</b>	<b>\$ 2,576,612</b>

Interest expense on bonds payable incurred during the current year totaled \$81,947.50

The District has entered into lease agreements as lessee for financing the acquisition of Buses and Ag pickup. 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. These leases contain 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 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:

<u>Year Ending</u> <u>June 30</u>	<u>Bus</u>	<u>AG</u> <u>Pickup</u>	<u>Total</u>
2012	\$ 13130	\$ 2,317	\$ 15,447
<b>Total</b>	<b>13130</b>	<b>2,317</b>	<b>15,447</b>
Less: Amount Representing Interest	(210)	(8)	(217)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 12,920</b>	<b>\$ 2,309</b>	<b>\$ 15,230</b>

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**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. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. 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. 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 an independent financial report, 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.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$794,686, \$774,259, and \$773,482 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$5,027,034; the District's total compensation was \$6,488,285. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$17,581) and 9.50% of compensation arising from post retirement employees (\$20,768). There were \$278,966 contributions made by employees during the year ended June 30, 2011.

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System, (continued)**

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, 2010, is as follows:

Total pension obligation	\$ 19,980,640,592
Net assets available for benefits, at cost	<u>9,566,683,405</u>
Nonfunded pension benefit obligation	<u>\$ 10,413,957,187</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, 2010. 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.

**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.

**Pauls Valley ISD No. 18, Garvin County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 8 – Budget Amendments**

The Cooperative Fund Budget was amended once during the year by filing a supplemental appropriation with the county clerk's office. The supplemental appropriation was filed June 15, 2011 in the amount of \$100,000. This increased the original Cooperative Fund Budget from \$806,862 to \$906,862.

**Note 9 – Surety Bonds**

The treasurer is bonded by Western Surety Company bond number 108097435 for the penal sum of \$100,000 for the term July 22, 2010 to July 22, 2011.

The superintendent is bonded by Western Surety Company bond number 18099164 for the penal sum of \$100,000 for the term January 26, 2011 to January 26, 2012.

The following positions are bonded by Western Surety Company bond number 18099164 for the period July 21, 2010 to July 21, 2011:

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

#### OTHER SUPPLEMENTAL INFORMATION

**Pauls Valley School District No.1-018, Garvin County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Cash Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2011**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Coop Fund</b>	<b>Total June 30, 2011</b>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 91,762	\$ 77,465	\$ 68,491	\$ 237,719
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 91,762</u>	<u>\$ 77,465</u>	<u>\$ 68,491</u>	<u>\$ 237,719</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 0	\$ 12	\$ 32,857	\$ 32,869
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 12</u>	<u>\$ 32,857</u>	<u>\$ 32,869</u>
Fund Balance:				
Cash Fund Balance	<u>\$ 91,762</u>	<u>\$ 77,453</u>	<u>\$ 35,634</u>	<u>\$ 204,849</u>
<i>Total Fund Balance</i>	<u>\$ 91,762</u>	<u>\$ 77,453</u>	<u>\$ 35,634</u>	<u>\$ 204,849</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 91,762</u>	<u>\$ 77,465</u>	<u>\$ 68,491</u>	<u>\$ 237,719</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, 2011**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Cooperative Fund</b>	<b>Total June 30, 2011</b>
<b>Revenue Collected:</b>				
Local Sources	\$ 174,866	\$ 4,178	\$ 889,653	\$ 1,068,696
Intermediate Sources	0	0	0	0
State Sources	0	9,651	0	9,651
Federal Sources	0	404,263	9,614	413,877
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 174,866</u>	<u>\$ 418,092</u>	<u>\$ 899,267</u>	<u>\$ 1,492,225</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 633,977	\$ 633,977
Support Services	194,159	0	148,734	342,893
Operation of Non-Instructional Services	0	469,820	0	469,820
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	21	108,793	108,814
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>\$ 194,159</u>	<u>\$ 469,840</u>	<u>\$ 891,504</u>	<u>\$ 1,555,504</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (19,293)</u>	<u>\$ (51,748)</u>	<u>\$ 7,762</u>	<u>\$ (63,279)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 185	\$ 0	\$ 185
Transfers In	0	105,252	0	105,252
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 105,437</u>	<u>\$ 0</u>	<u>\$ 105,437</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (19,293)</u>	<u>\$ 53,689</u>	<u>\$ 7,762</u>	<u>\$ 42,158</u>
<i>Fund Balance - Beginning of Year</i>	<u>111,055</u>	<u>23,764</u>	<u>27,872</u>	<u>162,691</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 91,762</u></u>	<u><u>\$ 77,453</u></u>	<u><u>\$ 35,634</u></u>	<u><u>\$ 204,849</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, 2011

	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
<b>Revenue Collected:</b>												
Local Sources	\$ 160,184	\$ 160,184	\$ 174,866	\$ 770,146	\$ 870,146	\$ 889,653	\$ 275	\$ 275	\$ 4,178	\$ 930,606	\$ 1,030,606	\$ 1,068,696
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	3,463	3,463	0	8,309	8,309	9,651	11,771	11,771	9,651
Federal Sources	0	0	0	5,382	5,382	9,614	404,933	404,933	404,263	410,315	410,315	413,877
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 160,184</u>	<u>\$ 160,184</u>	<u>\$ 174,866</u>	<u>\$ 778,991</u>	<u>\$ 878,991</u>	<u>\$ 899,267</u>	<u>\$ 413,517</u>	<u>\$ 413,517</u>	<u>\$ 418,092</u>	<u>\$ 1,352,692</u>	<u>\$ 1,452,692</u>	<u>\$ 1,492,225</u>
<b>Expenditures Paid:</b>												
Instruction	\$ 0	\$ 0	\$ 0	\$ 549,335	\$ 649,335	\$ 633,977	\$ 0	\$ 0	\$ 0	\$ 549,335	\$ 649,335	\$ 633,977
Support Services	271,239	271,239	194,159	148,734	148,734	148,734	0	0	0	419,974	419,974	342,893
Operation of Non-Instructional Services	0	0	0	0	0	0	549,196	549,196	469,820	549,196	549,196	469,820
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	108,793	108,793	108,793	21	21	21	108,814	108,814	108,814
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>\$ 271,239</u>	<u>\$ 271,239</u>	<u>\$ 194,159</u>	<u>\$ 806,862</u>	<u>\$ 906,862</u>	<u>\$ 891,504</u>	<u>\$ 549,217</u>	<u>\$ 549,217</u>	<u>\$ 469,840</u>	<u>\$ 1,627,319</u>	<u>\$ 1,727,319</u>	<u>\$ 1,555,504</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to</i>												
<i>Prior Year Encumbrances</i>	\$ (111,055)	\$ (111,055)	\$ (19,293)	\$ (27,872)	\$ (27,872)	\$ 7,762	\$ (135,699)	\$ (135,699)	\$ (51,748)	\$ (274,626)	\$ (274,626)	\$ (63,279)
<b>Adjustments to Prior Year Encumbrances</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Other Financing Sources (Uses):</b>												
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 185	\$ 0	\$ 0	\$ 185
Transfers In	0	0	0	0	0	0	111,935	111,935	105,252	111,935	111,935	105,252
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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,935</u>	<u>\$ 111,935</u>	<u>\$ 105,437</u>	<u>\$ 111,935</u>	<u>\$ 111,935</u>	<u>\$ 105,437</u>
<i>Excess (Deficiency) of Revenue Collected</i>												
<i>Over Expenditures Paid and Other Financing</i>												
<i>Sources (Uses)</i>	\$ (111,055)	\$ (111,055)	\$ (19,293)	\$ (27,872)	\$ (27,872)	\$ 7,762	\$ (23,764)	\$ (23,764)	\$ 53,689	\$ (162,691)	\$ (162,691)	\$ 42,158
<i>Fund Balance - Beginning of Year</i>	<u>111,055</u>	<u>111,055</u>	<u>111,055</u>	<u>27,872</u>	<u>27,872</u>	<u>27,872</u>	<u>23,764</u>	<u>23,764</u>	<u>23,764</u>	<u>162,691</u>	<u>162,691</u>	<u>162,691</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,762</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,634</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,453</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 204,849</u>

**Pauls Valley School District No. I-018, Garvin County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity-Regulatory Basis**  
**All Trust and Agency Funds**  
**For the Year Ending June 30, 2011**

	<b>Trust Funds</b>			<b>Agency Funds</b>	
	Rayburn Endowment Fund	Nelson Endowment Fund	Grimmet Endowment Fund	Activity Fund	Total
<b><u>ASSETS</u></b>					
Cash	\$ 25,540	\$ 10,025	\$ 9,236	\$ 180,472	\$ 225,273
Investments	0	0	0	0	0
<i>Total Assets</i>	<u>25,540</u>	<u>10,025</u>	<u>9,236</u>	<u>180,472</u>	<u>225,273</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities:					
Due To Others	\$ 0	\$ 0	\$ 0	\$ 180,472	\$ 180,472
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>180,472</u>	<u>180,472</u>
Fund Equity:					
Unreserved/Undesignated	\$ 25,540	\$ 10,025	\$ 9,236	\$ 0	\$ 44,801
<i>Total Liabilities and Fund Equity</i>	<u>25,540</u>	<u>10,025</u>	<u>9,236</u>	<u>180,472</u>	<u>225,273</u>

**Pauls Valley School District No.I-018, Garvin County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Trust and Agency Funds**  
**For the Year Ending June 30, 2011**

<b>ACTIVITIES</b>	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
Athletics	\$ 8,752	\$ 216,128	\$ 206,434	\$ 18,446
Child Nutrition	0	105,395	105,395	0
Densmore Scholarship	0	1,000	1,000	0
Band	5,482	43,215	30,078	18,620
Band Boosters	6,434	21,178	22,682	4,929
Horticulture	5,131	1,981	3,133	3,979
GED	5,715	6,822	7,302	5,234
Cheerleaders-HS	910	20,486	20,022	1,374
Cheerleaders-JH	1,607	8,238	9,562	284
Clearing Fund Account	0	8,295	8,295	0
Faculty-HS	158	20	120	58
Faculty-Jackson	0	0	0	0
Faculty-Lee	223	655	206	672
Faculty-JH	56	0	0	56
FCA-HS	8	0	0	8
FFA	3,659	30,893	31,189	3,363
Seniors 2010	2	0	0	2
F.C.C.L.A.	15	1,518	771	761
Art JH	326	1,890	1,598	618
General Activity	61	983	976	68
High School Fund	2,830	11,164	11,566	2,428
Jackson Elementary	11,638	36,360	29,708	18,290
Lee Elementary	14,854	22,187	22,064	14,977
Library-High School	777	166	172	770
High School Chorus	841	1,638	2,219	260
Junior High	489	9,261	7,023	2,727
Panther Sidekicks	13,986	8,381	9,528	12,838
Alumni Gifts	1,303	0	0	1,303
Senior Class 2012	77	10,272	9,295	1,053
Junior High Library	419	2,650	2,650	419
PAC	2,418	56,750	41,345	17,823
Arts and Crafts	178	2,470	2,533	115
Spanish Club	55	0	55	0
Prayer Warriors	0	476	62	414
Student Council-HS	50	0	0	50
Student Council-JH	1,209	983	1,225	966
Valley School-Coop	5,087	9,212	7,288	7,012
Yearbook-HS	5,945	9,009	7,234	7,720
National Honor Society	78	0	0	78
ELC-(Early Learning Center)	10,585	10,062	16,480	4,168
Senior Class 2011	972	850	890	932
B.P.A.	1,078	744	1,136	686
Pom Squad	928	11,037	11,757	208
FCA-JH	70	0	0	70
Alt Academy	1,504	3,785	3,754	1,535
Key Club	1,901	2,321	2,681	1,541
Goddard Youth Camp	768	20,888	18,859	2,797
Grant Account	2,645	2,791	4,377	1,058
After School Program	264	11,347	59	11,551
High School Academic	414	235	378	271
Senior Class of 2009	2,605	0	2,501	104
Music Festival	2,167	0	18	2,148
JH Yearbook	3	0	0	3
Speech & Drama HS	427	0	0	427
JH Chorus	175	0	0	175
Pepsi Scholarship	0	4,000	0	4,000
SLAM	141	0	0	141
Elementary Yearbook	923	3,172	3,156	939
Total Activities	\$ 128,343	\$ 720,907	\$ 668,778	\$ 180,472

**Pauls Valley School District No.1-018, Garvin County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**All Trust Funds**  
**For the Year Ending June 30, 2011**

	<b>Trust Funds</b>			
	<u>Non-Expendable</u>	<u>Expendable</u>		<u>Total</u>
	<u>Rayburn Endowment Fund</u>	<u>Nelson Endowment Fund</u>	<u>Grimmet Endowment Fund</u>	
<b>Revenue Collected:</b>				
Local Sources	\$ 127	\$ 10,025	\$ 215	\$ 10,367
Non-Revenue Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue Collected</i>	<u>\$ 127</u>	<u>\$ 10,025</u>	<u>\$ 215</u>	<u>\$ 10,367</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
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	2,500	2,500
Repayments	0	0	0	0
Interest Paid and Bank Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
<i>Excess of Revenues Collected Over (Under)</i> <i>Expenditures Paid Before Adjustments to</i> <i>Prior Year Encumbrances</i>	\$ <u>127</u>	\$ <u>10,025</u>	\$ <u>(2,285)</u>	\$ <u>7,867</u>
<b>Adjustments to Prior Year Encumb</b>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (U.</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i> <i>Over Expenditures Paid and Other Financing</i> <i>Sources (Uses)</i>	\$ 127	\$ 10,025	\$ (2,285)	\$ 7,867
<i>Fund Balance - Beginning of Year</i>	<u>25,413</u>	<u>0</u>	<u>11,521</u>	<u>36,934</u>
<i>Fund Balance - End of Year</i>	<u>\$ 25,540</u>	<u>\$ 10,025</u>	<u>\$ 9,236</u>	<u>\$ 44,801</u>

**PAULS VALLEY INDEPENDENT SCHOOL DISTRICT NO. I-18, GARVIN COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA#</b>	<b>Pass- Through Grantor's Project Number</b>	<b>Deferred Revenue (Accounts Receivable) July 1, 2010</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Deferred Revenue (Accounts Receivable) June 30, 2011</b>
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
Indian Education Title VII	84.060A	561	0	48,456	48,456	0
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic	84.010	511	0	252,478	256,948	(4,470)
ARRA Title I, Basic	84.389	516	(15,959)	46,657	30,698	0
<b>Title I Cluster</b>			(15,959)	299,135	287,646	(4,470)
IDEA-B Flowthrough	84.027	621	0	272,094	272,094	0
ARRA Preschool	84.392A	643	(6,979)	6,979	0	0
IDEA-B Preschool	84.173	641	0	4,212	4,212	0
<b>Special Education Cluster</b>			(6,979)	283,285	276,306	0
ARRA Education Stabilization Fund	84.394	782	0	287,813	276,887	10,926
ARRA Government Service Fund (Note 4)	84.397	787	(44,316)	0	0	0
<b>ARRA Stabilization Cluster</b>			(44,316)	287,813	276,887	10,926
Title II, Part A,	84.367	541	(6,299)	23,318	17,268	(249)
Title IV, Part A - Safe and Drug Free Schools	84.186	551	(7,130)	7,130	0	0
Title II, Part D	84.318	546/548	(727)	1,465	984	(246)
Title VI, Part B	84.358B	587	0	31,202	31,202	0
Adult Basic Education	84.002	731	0	50,831	118,191	(67,360)
Education Jobs Funds	84.410	790	0	245,674	245,674	0
<u>Passed Through Oklahoma Department of Human Services:</u>						
Job Training (Note 5)	84.126	456	0	9,614	10,179	(565)
<b>Total U.S. Department of Education</b>			<b>(81,410)</b>	<b>1,287,923</b>	<b>1,312,793</b>	<b>(61,964)</b>
<b>U.S. Department of the Interior</b>						
<u>Passed through the Chickasaw Nation:</u>						
Johnson O'Malley	15.130	563	(9,126)	14,159	8,874	(3,841)
<b>Total U.S. Department of the Interior</b>			<b>(9,126)</b>	<b>14,159</b>	<b>8,874</b>	<b>(3,841)</b>
<b>U.S. Department of Agriculture</b>						
<u>Passed Through State Department of Education:</u>						
Breakfast Program	10.553	385	0	108,051	108,051	0
Lunch Program	10.555	385	0	287,743	287,743	0
Commodities Distributed-Lunch	10.555	N/A	0	28,993	28,993	0
<b>Child Nutrition Cluster</b>			0	424,787	424,787	0
Fresh Fruit and Vegetables (Note 5)	10.582	768	0	8,469	8,469	0
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>433,256</b>	<b>433,256</b>	<b>0</b>
<b>U.S. Department of Homeland Security</b>						
<u>Passed Through Oklahoma Department of Emergency Management</u>						
FEMA Disaster Grant - Public Assistance (Note 6)	97.036	594	0	23,468	23,468	0
<b>Total U.S. Department of Homeland Security</b>			<b>0</b>	<b>23,468</b>	<b>23,468</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>(90,536)</b>	<b>1,758,806</b>	<b>1,778,391</b>	<b>(65,804)</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - The District does not track expenditures paid from these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$28,993 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 4 - The school was required to recode expenditures to Project 787 for the 09-10 fiscal year. However, the school did not recode the textbook revenues received to the Project 787. This caused the 09-10 SEFA to show a receivable of \$44,316. Actually, there is no receivable at the end of fiscal year 09-10.

Note 5 - These programs showed receivables at the end of the 2009-10 fiscal year. However, the school did not receive these receivable amounts in the 2010-11 fiscal year. Therefore, the receivable balances of these accounts have been adjusted to reflect the correct receivable balance at June 30, 2010.

Note 6 - The school had received FEMA reimbursements in the 2010-11 fiscal year. The school did not track the expenditures made with a federal project code. It appears the school did make the expenditures according to FEMA documentation.

The following transactions related to the American Recovery and Reinvestment Act:

	<b>CFDA #</b>	<b>Program #</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Deferred ARRA Revenue (Accounts Rec)</b>
ARRA Title I	84.389	516	46,657	30,698	0
ARRA Special Education Preschool	84.392A	643	6,979	0	0
ARRA Education Stabilization Fund	84.394	782	287,813	276,887	10,926
ARRA Government Service Fund	84.397	787	0	0	0
			<b>341,449</b>	<b>307,585</b>	<b>10,926</b>

**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 the fund type and account group financial statements, including budget and actual, of **Pauls Valley Independent School District #18**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated December 13, 2011. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by 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 a departure related to the general fixed assets. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

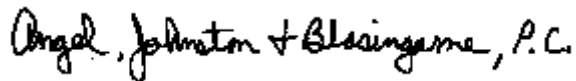
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2011-1 through 2011-8) 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education of **Pauls Valley Independent School District #18**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be, and should not be used by anyone other than these specified parties.



Chickasha, Oklahoma  
December 13, 2011



ANGEL,  
JOHNSTON &  
BLASINGAME, P.C.

P.O. BOX 706 • 2700 SOUTH FOURTH  
CHICKASHA, OKLAHOMA 73023  
PHONE (405) 224-6363 • FAX (405) 224-6364  
web [www.telepath.com/ajba](http://www.telepath.com/ajba)

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Board Members:

Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

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, 2011.



### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Entity'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, others within the agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Chickasha, Oklahoma  
December 13, 2011

**Pauls Valley ISD No. 18, Garvin County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |   |   |
|---|---|
| 1. Type of auditor's report issued  | Adverse<br>(Due to F/S being prepared on<br>a regulatory basis of accounting) |
| 2. Internal control over financial reporting;                                       |   |
| a. Material weaknesses identified?  | No  |
| b. Significant Deficiencies identified not considered to be<br>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<br>material weaknesses?  | None Reported |
| 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<br>accordance with Circular OMB A-133, Section 510(a)? | No            |

4. Identification of major programs:

CFDA Number

Name of Federal Program

10.553/10.555/10.582  
84.410  
84.394/84.397

Child Nutrition Fund Cluster  
Education Jobs Fund  
ARRA Stabilization Cluster

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

**Pauls Valley ISD No. 18, Garvin County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**  
**(continued)**

## **Section 2**

### *Financial Statement Findings*

**2011-1** Statement of Condition - During testing of gate receipts, we noted that gate/concession/hamburger sales and panther store sales of \$8,922.09 was collected on 10-15-10, however, the funds were not deposited until 10-21-10.

Criteria - Title 70-5-129 of the Oklahoma statutes requires deposits of \$100 or more to be deposited daily. Amounts under this must be deposited at least one time per week.

Cause/Effect of Condition - It appears funds were not deposited due to staff personnel problems. Monies were undeposited for approximately one week. Monies not deposited timely have a greater chance of being lost or stolen.

Recommendation - We recommend funds collected be deposited daily or at least on the next school day.

Views of Responsible Officials and Planned Corrective Action Plan - School employees will be required to deposit funds daily.

**2011-2** - Statement of Condition - On an ELC spring fundraiser, teachers were turning in money to the office for over a week before the money ( \$6,535.85) was all deposited on one day. It appears the money was kept in the safe until the day of deposit.

Criteria - Title 70-5-129 require money be deposited daily if over \$100, but never less than once per week.

Cause/Effect of Condition - Teachers were required to issue receipts on a log to students in classrooms and bring in money to the office daily . The office personnel didn't issue receipts to the teacher until the final tally was done. They also didn't deposit the money until the end of the week. These procedures give opportunity for potential loss of monies.

Recommendation - Receipts should be issued to sponsors when it is turned over to the office and deposits should be made on a daily basis.

Views of Responsible Officials and Planned Corrective Action Plan - Management agrees that deposits would be made more frequently and receipts would be issued to sponsors.

**2011-3** - Statement of Condition - The school collects money at the Jr. High for ala carte items sold during lunch. However, no dual count of cash is being performed at the end of each day.

Criteria - To establish good internal controls, the district should have procedures to establish the amount of cash prior to monies being placed under the control of one person. A good procedure is for cash to be counted by two individuals and the amount collected documented on a count sheet signed by the two individuals.

Cause/Effect of Condition - Without a dual count of cash and no other reconciliation method present, money could be stolen or lost and no one would be accountable.

Recommendation - We recommend a dual count of cash be performed at the close of each day. Both individuals counting the cash should sign a cash count sheet verifying the amount counted.

Views of Responsible Officials and Planned Corrective Action Plan - Management will implement this recommendation.

**Pauls Valley ISD No. 18, Garvin County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**  
**(continued)**

**2011-4** - Statement of Condition - The district is not always following purchasing procedures for activity fund purchases. 11 of 33 requisitions tested were dated after the invoice, changed to match the invoice, or not prepared until the invoice arrived.

Criteria - Prior to making a purchase, a requisition should be prepared and approved by the activity fund custodian.

Cause/Effect of Condition - Purchasing policies are not being followed which leaves opportunities for unauthorized purchases to be made.

Recommendation - Sponsors should complete a requisition and have it approved before any goods/services are ordered.

Views of Responsible Officials and Planned Corrective Action - Management will require a requisition be prepared and approved prior to an activity fund purchase being made.

**2011-5** - Statement of Condition - It does not appear that the board is approving the activity fund sub-accounts, anticipated revenues and anticipated expenditures at the beginning of the school year.

Criteria - Title 70-5-129 requires all activity fund sub-accounts, anticipated revenues and expenditures be approved by the board of education at the beginning of each fiscal year and as needed during the fiscal year.

Cause/Effect of Condition - The activity fund custodian was not aware of this requirement. Thus, activity funds could be used for items not acceptable to the board.

Recommendation - All activity fund sub-accounts, anticipated revenues and expenditures should be approved by the board at the beginning of the school year. Additional subaccounts, fundraisers and expenditures can be added by board approval throughout the year.

Views of Responsible Officials and Planned Corrective Action Plan - The board will approve the activity funds in the future.

**2011-6** - Statement of Condition - The former Superintendent (Bobby Russell) had a \$1,500 check issued to himself from the activity fund without having any corresponding invoices or documentation.

Criteria - All requisitions require supporting documentation to verify the legitimacy of the expense.

Cause/Effect of Condition - Superintendent overrode controls that were in place, allowing unauthorized expenditures to be made.

Recommendation - The activity fund custodian should have an invoice or other documentation prior to issuing a check for expenses.

Views of Responsible Officials and Planned Corrective Action Plan - Proper documentation will be required prior to issuance of a check.

**Pauls Valley ISD No. 18, Garvin County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**  
**(continued)**

**2011-7** - Statement of Condition - The District's policies and procedures manual does not address vacation or sick leave/personal leave for support staff.

Criteria - The District provides vacation benefits to 12 month employees and sick leave/personal leave to support staff. However, the District does not have a formal policy addressing these items.

Cause/Effect of Condition - The policy and procedures manual does not address these items. Therefore vacation, sick and personal leave may not be handled in accordance with the board of education's desires.

Recommendation - The District should review and update their policies for vacation, sick and personal leave.

Views of Responsible Officials and Planned Corrective Action Plan - The district will review and update their policies for vacation, sick and personal leave.

**2011-8** - Statement of Condition - The Grimmet Endowment Fund is not included in the District's accounting records. In addition, the District could not provide us with documentation showing the purpose/requirements for which the Grimmet and Nelson Endowment Funds were to be expended.

Criteria - All of the District's financial data are to be included in the OCAS data certified to the Oklahoma Dept of Education.

Cause/Effect of Condition - The Grimmet Endowment Fund was established in prior years and has always been added to the financial statements at the end of the year. Thus, it is not included in the District's OCAS data certified to the state.

Recommendation - The Grimmet Endowment Fund should be included in the District's accounting records. The District should obtain written documentation showing the purpose/requirements for all Endowment/Trust Funds.

Views of Responsible Officials and Planned Corrective Action Plan - The District will add the Grimmet Endowment Fund to their accounting records for the 2011-12 year. Also, they will try to find documentation for the Grimmet and Nelson Endowment Funds.

**Section 3**

*Federal Award Findings and Questioned Costs*

(None noted)

PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section II-Financial Statement Findings***

2010-1 *Criteria and Condition:* Oklahoma Statutes Title 70 Section 5.129 requires that any deposits in excess of \$100 shall be made by the end of the next business day.

*Context:* A test of nineteen deposits disclosed eight deposits were not made by the end of the next business day.

*Cause:* Activity fund sponsors did not turn receipts into the activity fund custodian timely.

*Effect:* Non-Compliance with Oklahoma State Statutes.

*Recommendation:* Activity sponsors should be informed and trained about the policies and procedures to ensure daily deposit of funds over \$100.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and will implement the necessary training procedures.

*Current Status* – We note this again as a finding for the 2010-11 year. See Schedule of Findings and Questioned Costs.

2010-2 *Criteria and Condition:* Employee reimbursement should include supporting receipts for expenditures being reimbursed.

*Context:* Our testing of employee reimbursements disclosed a reimbursement of \$2,500 made with no supporting documentation.

*Cause:* Lack of internal controls surrounding employee reimbursement procedures.

*Effect:* Potential payment for goods or services never received by the District.

*Recommendation:* The District should implement procedures to ensure all reimbursements are properly documented, and that the items have been received and are in place in the specific department/area they were purchased for.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and procedures have been put in place to ensure items are received and accounted for prior to reimbursement of employees.

*Current Status* – We did not note any reimbursements being made without supporting documentation.

PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section II-Financial Statement Findings, (continued)***

2010-3 *Condition:* Athletic gate receipts ticket reconciliations were incomplete or unavailable.

*Criteria:* State Department of Education regulation 210:25-15.13 indicates that prenumbered Tickets should be used for admissions. All tickets not sold by the gate keeper should be accounted for at the end of each event and written reconciliation made of tickets sold to actual revenues collected. Reconciliation documents should be filed in date order as part of the documentation.

*Context:* Testing of athletic ticket gate receipts indicates that reconciliation documents are missing or incomplete on some events.

*Cause:* Failure of control activities to identify that receipts for gate admission were incomplete or altered.

*Effect:* Potential theft of event receipts.

*Recommendation:* The District should implement procedures to adequate segregation of duties exists in the admission receipt process. All differences should be followed up in a timely manner by an individual separate from those involved in collecting or reconciling tickets.

*Views of Responsible Officials and Planned Corrective Actions:* Procedures have been modified to provide adequate segregation of duties. The receipts are reconciled by the gate attendants then placed in a deposit bag. The deposit bag is locked and transported to the bank by the security officer. The key is given to the athletic director. The deposit is reconciled by the athletic department secretary.

*Current Status* – Procedures were modified and this area was much improved for the 2010-11 year.

2010-4 *Condition:* District revenue was not properly deposited.

*Criteria:* An adequate internal control system provides for the opening of mail and listing of checks received to be segregated from the preparation of the deposit.

*Context:* Testing of revenues indicates that amounts showing as owed for District provided services had been paid but the receipt was not posted to District records.

*Cause:* Failure of control activities to ensure that cash receipts were deposited intact and properly posted to receivables.

*Effect:* Potential theft of receipts.

PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section II-Financial Statement Findings, (continued)***

*Recommendation:* The District should implements procedures to ensure that receipts are listed by the person opening mail. This listing should then be compared to amount deposited by the treasurer when reconciling cash.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and procedures have been put in place to ensure items are received are forwarded to the treasurer promptly and intact.

*Current Status* - Procedures were put in place to ensure all revenues are deposited.

2010-5 *Condition:* Documents that were filed as supporting invoices for purchases could not be verified as authorized District expenditures.

*Criteria:* An adequate internal control system provides adequate segregation of duties among those who review or sign checks and the mailing of payment to vendors.

*Context:* Walkthrough of expenditure controls indicated that there was a deficiency in the design of controls which allowed for the superintendent to retain checks after signing.

*Cause:* Failure of control activities to properly segregate and control the mailing of checks from the signing of checks

*Effect:* Purchases made by the superintendant were identified as being potentially unauthorized District Expenditures.

*Recommendation:* The District should implement procedures to ensure that all checks are returned to the purchasing clerk for mailing or distribution. In addition, check signers should not include the superintendent and facsimile signatures should be properly controlled.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and procedures have been put in place to ensure that duties are appropriately segregated.

*Current Status* – Procedures have been put in place and this area was improved for the 2010-11 year.

2010-6 *Condition:* The District did not update the report to the Oklahoma State Department of Education with all of the names and salaries of employees paid with State Fiscal Stabilization funds as required by the State.

*Criteria:* the State required a detail list of the names and salaries of all employees that were paid with State Fiscal Stabilization funds.



PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section II-Financial Statement Findings, (continued)***

*Cause:* Failure of control activities. The federal program director was not aware of the requirement or that communications from the State had been received related to this reporting requirement.

*Effect:* Noncompliance with state reporting requirements. Salaries were allowable under the program but the District did not comply with reporting all employees paid with the funds.

*Recommendation:* The District should implement procedures to ensure that grant reporting requirements are monitored by the appropriate individuals.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and procedures have been put in place to ensure that reporting requirements are being met.

*Current Status* – Procedures were implemented and we did not note any problems in this area for the 2010-11 year.

***Section III-Federal Award Findings and Questioned Costs***  
***Department of Education***

Questioned Cost

2010-7 Title I Cluster, Grants to Local Education Agencies-CFDA 84.010, 84.389,  
Grant Period-Year Ending June 30, 2010

*Condition:* Employees were paid for services within the program for which there were no timesheets kept or authorization within the employee contract for the additional payments.

*Criteria:* Allowable costs principles require that administrative processes ensure that funds are spent only on allowable and necessary costs of the program.

*Context:* A sample of \$640,882 in salaries was selected for audit. The test found \$18,886 in questioned costs because there were no supporting time sheets or other certification of time worked.

\$18,886

*Cause:* District contracts do not always include detail of salaries being paid with federal funds or the additional contract amounts do not agree with amounts that were actually paid. In addition, timesheets were not always required before payments were made.

*Effect:* Potentially unallowable amounts were paid with federal funds.

PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section III-Federal Award Findings and Questioned Costs, (continued)***  
***Department of Education, (continued)***

*Recommendation:* Expenses that are charged to Federal programs should be approved by the federal program director as allowable before they are paid. Teacher contracts should include a detail of amounts to be paid from all sources.

*Views of Responsible Officials and Planned Corrective Actions:* Pauls Valley School agrees with our recommendation, and will implement the policy from this point forward.

*Current Status* – Policies were implemented to ensure only allowable, documented expenditures are paid with federal monies.

2010-8 Title I, Grants to Local Education Agencies-CFDA 84.010. Grant Period-Year Ending June 30, 2010

*Condition:* Semi-annual certifications signed by the employee certifying they had been engaged solely in a single Federal program were not completed.

*Criteria:* Semi-annual certifications signed by the employee certifying they had been engaged solely in a single Federal program were not completed.

*Context:* Our testing in the Title I Program noted semi-annual certifications are not being completed by the employees or supervisory officials in accordance with OMB Circular A-87, Attachment B.

*Cause:* Management concluded that there was sufficient documentation to identify the employee and time spent in the federal program which sufficed in lieu of the semi-annual certifications.

*Effect:* Non-compliance with requirements of Federal programs.

*Recommendation:* Semi-annual certifications should be completed, signed by the required employees and retained in compliance with OMB Circular A-87.

*Views of Responsible Officials and Planned Corrective Actions:* Pauls Valley School agrees with our recommendations, and will implement the policy from this point forward.

*Current Status* – Policies have been implemented and seem to be working well.

PAULS VALLEY SCHOOL DISTRICT I-18  
Summary Schedule of Prior Year Audit Findings  
For the Year Ending June 30, 2011

***Section III-Federal Award Findings and Questioned Costs, (continued)***  
***Department of Education, (continued)***

2010-9 ARRA Title I, Grants to Local Education Agencies-CFDA 84.3889, Grant Period-Year Ending June 30, 2010

*Condition:* Employee earnings were charged to the program that were not included in the budget and did have any supporting documentation or approval for time worked.

*Criteria:* Allowable costs principles require that administrative processes ensure that funds are spent only on allowable and necessary cost of the program.

*Context:* A total \$8,570 was charged to the program.

*Cause:* Payments were not approved by the federal program director as allowable prior to payment.

*Effect:* Potentially unallowable amounts were paid with federal funds.

*Recommendation:* Expenses that are charged to Federal programs should be approved by the federal program director as allowable before they are paid.

*Views of Responsible Officials and Planned Corrective Actions:* Pauls Valley School agrees with our recommendation, and will implement the policy from this point forward.

Total Department of Education \$27,456

*Current Status-* The district had issued a check to Debby Russell on 7-20-10, prior to new policies being implemented, for \$5,319.83. No other problems for the 2010-11 year.

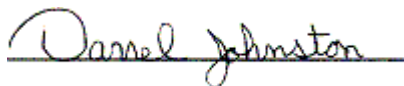
## OTHER INFORMATION

Pauls Valley ISD No. 18, Garvin County  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2011

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 2010-2011.

ANGEL, JOHNSTON, & BLASINGAME, P.C.

A handwritten signature in blue ink that reads "Daniel Johnston". The signature is written over a horizontal line.

by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

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

My Commission Expires 11-12-12