

Plainview School District I-27
Carter County, Oklahoma

Financial Statements

Year-End June 30, 2012

Plainview School District I-27
Carter County, Oklahoma
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June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Plainview School District, I-27
Ardmore, Oklahoma 73401

We have audited the accompanying fund type and account group financial statements of Plainview School District I-27, Carter County, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements as listed in the table of contents. 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 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 discussed in Note 1, Plainview School District I-27, Carter County, Oklahoma prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which differ from accounting principles generally accepted in the United States of America. The effects 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.

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As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with the regulatory basis of accounting. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, because of the effects of the matter discussed in the second preceding 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 each fund of Plainview School District I-27 as of June 30, 2012, or changes in financial position for the year then ended.

In our opinion, except for the effects of the omission of the General Fixed Asset Account Group described in the second preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Plainview School District I-27, Carter County, Oklahoma, as of June 30, 2012, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013, on our consideration of Plainview School District I-27's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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 express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Plainview School District I-27 Carter County, Oklahoma financial statements as a whole. The combining financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 State of America. In our opinion, the combining

financial statements and schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plainview School District I-27's financial statements. The Statement of Statutory, Fidelity and Honesty Bonds, and Schedule of Accountant's Professional Liability Insurance are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

March 7, 2013

Plainview School District I-27
Carter County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Equity
Regulatory Basis – All Governmental Fund Types
June 30, 2012

	Governmental Fund Types				Fiduciary	Account	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Trust and Agency	Group General Long Term Debt	(memorandum only - Note 1) June 30, 2012
ASSETS							
Cash	\$ 3,075,473	\$ 1,041,022	\$ 100,632	\$ -	\$ 334,440	\$ -	\$ 4,551,567
Restricted Cash	-	-	\$ 1,056,044	-	-	-	1,056,044
Amount available in debt service fund	-	-	-	-	-	1,156,676	1,156,676
Amount to be provided for Capital leases	-	-	-	-	-	382,507	382,507
Retirement of general long term debt	-	-	-	-	-	2,333,324	2,333,324
Total Assets	<u>\$ 3,075,473</u>	<u>\$ 1,041,022</u>	<u>\$ 1,156,676</u>	<u>\$ -</u>	<u>\$ 334,440</u>	<u>\$ 3,872,507</u>	<u>\$ 9,480,118</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 731,822	\$ 479	\$ -	\$ -	\$ 18,191	\$ -	\$ 750,492
Due to others	-	-	-	-	316,249	-	316,249
Capital leases payable	-	-	-	-	-	382,507	382,507
General obligation bonds payable	-	-	-	-	-	3,490,000	3,490,000
Total Liabilities	<u>731,822</u>	<u>479</u>	<u>-</u>	<u>-</u>	<u>334,440</u>	<u>3,872,507</u>	<u>4,939,248</u>
Fund Equity:							
Unreserved:							
Designated for debt service	-	-	1,156,676	-	-	-	1,156,676
Designated for capital projects	-	-	-	-	-	-	-
Undesignated	2,343,651	1,040,543	-	-	-	-	3,384,194
Total Cash Fund Balances	<u>2,343,651</u>	<u>1,040,543</u>	<u>1,156,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,540,870</u>
Total Liabilities and Fund Equity	<u>\$ 3,075,473</u>	<u>\$ 1,041,022</u>	<u>\$ 1,156,676</u>	<u>\$ -</u>	<u>\$ 334,440</u>	<u>\$ 3,872,507</u>	<u>\$ 9,480,118</u>

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

Plainview School District I-27
Carter County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
Regulatory Basis – All Governmental Fund Types
For the Year Ended June 30, 2012

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2012
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 2,535,962	\$ 564,185	\$ 1,195,589	\$ -	\$ 4,295,736
Intermediate sources	643,197	-	-	-	643,197
State sources	5,550,623	10,662	4,245	-	5,565,530
Federal sources	570,006	232,940	-	-	802,946
Total Revenues Collected	9,299,788	807,787	1,199,834	-	11,307,409
Expenditures paid:					
Instruction	5,734,565	-	-	62,155	5,796,720
Support services	3,173,902	-	-	-	3,173,902
Non-Instructional services	99,258	455,232	-	-	554,490
Capital outlay	-	190,734	-	41,258	231,992
Other outlays	-	824	-	-	824
Debt service:					
Principal payments	-	-	1,045,000	-	1,045,000
Interest and fiscal agent fees	-	-	104,846	-	104,846
Total expenditures paid	9,007,725	646,790	1,149,846	103,413	10,907,774
Excess of revenues collected over (under) expenditures paid	292,063	160,997	49,988	(103,413)	399,635
Cash fund balances, beginning of year	2,051,588	879,546	1,106,688	103,413	4,141,235
Cash fund balances, end of year	\$ 2,343,651	\$ 1,040,543	\$ 1,156,676	\$ -	\$ 4,540,870

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

**Plainview School District I-27
Carter County, Oklahoma**

**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2012**

	General Fund				Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 2,051,588	\$ 2,051,588	\$ 2,051,588	\$ -	\$ 865,400	\$ 865,400	\$ 879,546	\$ 14,146
Revenues collected:								
Local sources	2,383,840	2,383,840	2,535,962	152,122	531,250	531,250	564,185	32,935
Intermediate sources	582,000	582,000	643,197	61,197	-	-	-	-
State sources	5,057,410	5,057,410	5,550,623	493,213	9,658	9,658	10,662	1,004
Federal sources	608,337	608,337	570,006	(38,331)	207,561	207,561	232,940	25,379
Total Revenues Collected	<u>8,631,587</u>	<u>8,631,587</u>	<u>9,299,788</u>	<u>668,201</u>	<u>748,469</u>	<u>748,469</u>	<u>807,787</u>	<u>59,318</u>
Expenditures paid:								
Instruction	7,410,756	7,410,756	5,734,565	1,676,191	-	-	-	-
Support services	3,173,256	3,173,256	3,173,902	(646)	-	-	-	-
Non-Instructional services	99,163	99,163	99,258	(95)	448,552	448,552	455,232	(6,680)
Capital outlay	-	-	-	-	1,156,828	1,156,828	190,734	966,094
Other outlays	-	-	-	-	8,489	8,489	824	7,665
Total Expenditures paid	<u>10,683,175</u>	<u>10,683,175</u>	<u>9,007,725</u>	<u>1,675,450</u>	<u>1,613,869</u>	<u>1,613,869</u>	<u>646,790</u>	<u>967,079</u>
Excess of revenues collected over (under) expenditures paid	<u>(2,051,588)</u>	<u>(2,051,588)</u>	<u>292,063</u>	<u>(1,007,249)</u>	<u>(865,400)</u>	<u>(865,400)</u>	<u>160,997</u>	<u>1,026,397</u>
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,343,651</u>	<u>\$ (1,007,249)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,543</u>	<u>\$ 1,026,397</u>

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

**Plainview School District I-27
Carter County, Oklahoma**

**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2012**

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 126,447	\$ 126,447	\$ 1,106,688	\$ 980,241
Revenues collected:				
Local sources	1,099,766	1,099,766	1,195,589	95,823
Intermediate sources	-	-	-	-
State sources	-	-	4,245	4,245
Total Revenues Collected	<u>1,099,766</u>	<u>1,099,766</u>	<u>1,199,834</u>	<u>100,068</u>
Expenditures paid:				
Debt service:				
Principal payments	1,115,000	1,115,000	1,045,000	70,000
Interest and fiscal agent fees	111,213	111,213	104,846	6,367
Total expenditures paid	<u>1,226,213</u>	<u>1,226,213</u>	<u>1,149,846</u>	<u>76,367</u>
Excess of expenditures paid over revenues collected	<u>(126,447)</u>	<u>(126,447)</u>	<u>49,988</u>	<u>176,435</u>
Ending cash balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,156,676</u></u>	<u><u>\$ 1,003,942</u></u>

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

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. *Summary of Significant Accounting Policies*

The basic financial statements of the Plainview School District, I-27, Carter County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. *The Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma for 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 five 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.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies – (continued)

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 two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue fund consists of the District's Building Fund and Child Nutrition Fund. The Building fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

The Child Nutrition Fund derives monies from local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting – (continued)

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

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

Fiduciary Fund Types

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

Account Groups

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

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

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The district does not maintain the fixed asset records necessary to account for this account group.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. *Summary of Significant Accounting Policies – (continued)*

Memorandum Only - Total Column

The total column on the basic regulatory financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- 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.

Estimates - The preparation of financial statements in conformity with the regulatory basis of accounting requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies – (continued)

Noncash Transactions - The District received federal food commodities in the amount of \$24,726. In addition, the State of Oklahoma paid approximately \$73,216 directly to the teacher retirement fund on behalf of the District's employees.

D. Budgets and Budgetary Accounting

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

The District has approved by a majority of the electors of the District voting on the question made the ad valorem levy for emergency levy and local support levy permanent.

Prior to September 1, the District must file with the county excise board, a budget for the current fiscal year including an itemized statement of estimate of needs and probable income from all sources including ad valorem taxes. This budget, if not protested, becomes the legal budget for the District.

Under current Oklahoma Statutes a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets Liabilities and Fund Equity

Investments – The District's investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for all amounts not covered by FDIC insurance.

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

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. *Summary of Significant Accounting Policies – (continued)*

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 halves 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, 2012 is not material to the financial statements.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave.

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.

Fund Balance - Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

E. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 60% of the District's general fund revenue comes from state sources.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

1. *Summary of Significant Accounting Policies – (continued)*

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and 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 education 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 which are reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

2. *Cash*

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2012, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

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. These bonds are required to be fully paid serially within 25 years from the date of issue.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

3. General Long Term Debt – (continued)

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from 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, 2012:

	<i>Bonds Payable</i>	<i>Capital Leases</i>
Balance July 1, 2011	\$ 4,535,000	\$ 525,459
Additions	-	-
Retirements	(1,045,000)	(142,952)
Balance June 30, 2012	\$ 3,490,000	\$ 382,507

General Obligation Bonds

A brief description of the outstanding general obligations bond issues at June 30, 2012, is set forth below:

	<i>Amount Outstanding</i>
Independent School District, I-27 School Transportation Bonds of 2008, original issue \$530,000, interest rates from 3.1% to 3.4%, due in annual installments of \$140,000 with a final installment 7/1/2014	\$ 280,000
Independent School District, I-27 School Building Bonds of 2008, original issue \$3,460,000, interest rates from 2.95% to 4.35%, due in annual installments of \$785,000 with final installment due 7/1/2014	2,355,000
Independent School District, I-27 School Building Bonds of 2010 (Series A), original issue \$485,000, interest rates from 1.65% to 2.55% due in annual installments of \$120,000 with a final payment of \$125,000 due 6/1/2015	365,000
Independent School District, I-27 School Building Bonds of 2010 (Series B), original issue \$490,000, interest rates 1.65% - 3.50%, \$70,000 due July 1, 2012 and then in annual installments of \$140,000 with a final installment 7/1/2015	490,000
	\$ 3,490,000

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

3. General Long Term Debt – (continued)

The annual debt service requirements for retirement of bond principal and payment of interest, is as follows:

<u><i>Year Ended June 30,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2013	1,115,000	94,323	\$ 1,209,323
2014	1,185,000	51,236	1,236,236
2015	1,050,000	20,128	1,070,128
2016	<u>140,000</u>	<u>2,800</u>	<u>142,800</u>
Total	<u>\$ 3,490,000</u>	<u>\$ 168,487</u>	<u>\$ 3,658,487</u>

Interest expense on general long-term debt incurred during the current year totaled \$113,860.

Subsequent to year end the District issued \$3,500,000 of bonds, leaving a remaining \$960,000 of bonds authorized but not issued.

Capital Leases

The District enters into lease agreements as lessee for financing the acquisition of equipment. For accounting purposes since the title transfers at the end of the lease term, it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which provides the ability to terminate the agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt group.

The District entered into a lease/purchase agreement to for renovations at the intermediate and high schools in the amount of \$600,000 at interest rates of 2.0758% payable in ten annual installments.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

3. General Long Term Debt – (continued)

Scheduled payments under the lease/purchase agreement as of each fiscal year ended June 30, are as follows:

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2013	\$ 65,164
2014	65,164
2015	65,164
2016	65,164
2017	65,164
2018 - 2021	<u>86,442</u>
	412,262
Less: Interest	<u>(29,755)</u>
Total	<u><u>\$ 382,507</u></u>

4. Employee Retirement System

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152.

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates are determined by Oklahoma Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The statutory contribution rates for the current year are 9.5%, effective July 1, 2010, of covered salaries plus covered fringe benefits for the District and 7% for the employee. In addition, if a member's salary is paid in part by federal funds, the contribution rate for that portion of salary must be matched by the District at a rate of 7.0%.

Plainview School District I-27
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2012

Employee Retirement System – (continued)

The District's total contributions for 2012, 2011 and 2010 were approximately \$647,697, \$531,820 and \$635,803, respectively equal to the required contribution for the year. These contributions include the District's statutory contribution, portion of Employee's statutory rate paid by the district and federal match.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Plan information is available from www.ok.gov/TRS for all plan information.

5. *Contingencies*

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

6. *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

7. *Subsequent Events*

November 2012 the voters of Carter County, Oklahoma passed a one-quarter of one percent (0.25%) county sales tax to provide revenues for technology equipment and instructional and classroom materials for all common school district wholly located within Carter County, Oklahoma. The sales tax levy will be effective on April 1, 2013.

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Special Revenue Funds
June 30, 2012

	Building Fund	Child Nutrition Fund	Total
ASSETS			
Cash	\$ 992,912	\$ 48,110	\$ 1,041,022
Total Assets	\$ 992,912	\$ 48,110	\$ 1,041,022
LIABILITIES AND FUND EQUITY			
Liabilities:			
Warrants payable	\$ -	\$ 479	\$ 479
Total Liabilities	-	479	479
Fund Equity:			
Unreserved:			
Undesignated	\$ 992,912	\$ 47,631	\$ 1,040,543
Total Cash Fund Balances	992,912	47,631	1,040,543
Total Liabilities and Fund Equity	\$ 992,912	\$ 48,110	\$ 1,041,022

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2012

	<u>Building</u> Fund	<u>Child Nutrition</u> Fund	<u>Total</u>
Revenues collected:			
Local sources	\$ 359,622	\$ 204,563	\$ 564,185
State Sources	1,196	9,466	10,662
Federal Sources	<u>-</u>	<u>232,940</u>	<u>232,940</u>
Total Revenues Collected	360,818	446,969	807,787
Expenditures paid:			
Instructional Services	-	-	-
Non-Instructional Services	-	455,232	455,232
Capital outlay	190,734	-	190,734
Other Outlays	<u>-</u>	<u>824</u>	<u>824</u>
Total expenditures paid	<u>190,734</u>	<u>456,056</u>	<u>646,790</u>
Excess of revenues collected over (under) expenditures paid	<u>170,084</u>	<u>(9,087)</u>	<u>160,997</u>
Cash fund balances, beginning of year	<u>822,828</u>	<u>56,718</u>	<u>879,546</u>
Cash fund balances, end of year	<u>\$ 992,912</u>	<u>\$ 47,631</u>	<u>\$ 1,040,543</u>

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2012

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 808,682	\$ 808,682	\$ 822,828	\$ 56,718	\$ 56,718	\$ 56,718	\$ 865,400	\$ 865,400	\$ 879,546
Revenues collected:									
Local sources	347,069	347,069	359,622	184,181	184,181	204,563	531,250	531,250	564,185
State sources	1,077	1,077	1,196	8,581	8,581	9,466	9,658	9,658	10,662
Federal sources	-	-	-	207,561	207,561	232,940	207,561	207,561	232,940
Total Revenues Collected	<u>348,146</u>	<u>348,146</u>	<u>360,818</u>	<u>400,323</u>	<u>400,323</u>	<u>446,969</u>	<u>748,469</u>	<u>748,469</u>	<u>807,787</u>
Expenditures paid:									
Instructional Services	-	-	-	-	-	-	-	-	-
Non-Instructional Services	-	-	-	448,552	448,552	455,232	448,552	448,552	455,232
Capital outlay	1,156,828	1,156,828	190,734	-	-	-	1,156,828	1,156,828	190,734
Other outlays	-	-	-	8,489	8,489	824	8,489	8,489	824
Total expenditures paid	<u>1,156,828</u>	<u>1,156,828</u>	<u>190,734</u>	<u>457,041</u>	<u>457,041</u>	<u>456,056</u>	<u>1,613,869</u>	<u>1,613,869</u>	<u>646,790</u>
Excess of revenues collected over (under) expenditures paid	<u>(808,682)</u>	<u>(808,682)</u>	<u>170,084</u>	<u>(56,718)</u>	<u>(56,718)</u>	<u>(9,087)</u>	<u>(865,400)</u>	<u>(865,400)</u>	<u>160,997</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,543</u>

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2012

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
High School Yearbook	\$ 29,517	\$ 12,171	\$ 9,526	\$ 32,162
Athletics	52,530	187,114	208,207	31,437
Band	501	4,550	3,595	1,456
High School Beta Club	1,114	1,314	1,722	706
National Junior High Honor Society	688	1,115	903	900
High School Cheerleaders	8,518	26,542	31,005	4,055
Middle School Cheerleaders	737	9,178	7,820	2,095
Elementary Art	1,971	-	99	1,872
FCCLA	3,702	9,623	8,907	4,418
Elementary PE	1,812	14,039	11,691	4,160
Intermediate Elementary	3,812	17,444	12,200	9,056
Elementary Library	4,965	11,327	11,860	4,432
Primary Elementary	9,447	10,772	7,186	13,033
High School Parking Lot	7,080	1,040	370	7,750
High School	4,888	8,219	9,861	3,246
First Grade	2,147	10,965	11,536	1,576
Second Grade	425	9,293	8,808	910
Middle School	6,784	12,012	9,567	9,229
Fifth Grade Science	119	-	119	-
High School Student Council	3,137	6,421	5,562	3,996
Scholarship	13,654	6,610	6,500	13,764
High School Art Department	845	4,308	3,110	2,043
Middle School Art Department	9	2,518	2,450	77
Middle School Yearbook	5,271	7,175	4,631	7,815
Middle School Student Council	2,553	1,143	1,718	1,978
Middle School Library	1,388	3,869	4,702	555
High School Library	89	1,500	1,105	484
Elementary Music	31	-	-	31
High School Vocal Music	352	-	-	352
Primary Technology	15,834	22,306	27,945	10,195
Lake Country Academic Conf.	376	1,100	792	684
Basketball Program	12,789	21,506	24,791	9,504
Discovery Club	735	1,460	916	1,279
High School Business	58	885	867	76
Interest	923	893	1,530	286
Plainview Grants	265	-	-	265
Petty Cash	-	200	200	-
Transportation / Maintenance	684	160	-	844

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2012

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>BALANCE</u>
Donations	222	536	512	246
Four Year Old Program	107	3,621	3,602	126
Daycare	46,199	80,012	57,635	68,576
Football / Weight Room	8,647	36,315	34,601	10,361
FCA	2,345	1,750	2,946	1,149
High School Examination Account	104	-	-	104
Plainview Academic Team	925	3,302	2,427	1,800
Golf Program	1,041	13,686	12,309	2,418
Kindergarten Program	353	6,395	6,308	440
Middle School Science	14	444	403	55
Elementary Yearbook / Enrichment	4,332	7,500	6,467	5,365
Spanish Club	833	1,414	1,253	994
Class of 2013 (JRS.)	-	51,567	47,964	3,603
Middle School Vocal Music	15	-	-	15
Staff & Faculty	12,036	31,846	29,307	14,575
Baseball Program	2,434	16,707	13,586	5,555
Pepsi Orders	-	10,335	10,335	-
Special Olympics	1,711	371	611	1,471
Softball Program	4,955	2,913	6,812	1,056
Wrestling Program	1,653	6,510	7,721	442
Environmental Science	1,804	-	-	1,804
Advanced Placement Program	522	2,546	2,438	630
Coaches' Resource Account	933	321	-	1,254
Middle School PIA	3,912	11,208	7,659	7,461
Track Cross Country	28	394	394	28
Class Of 2012 (JRS.)	4,244	3,500	7,744	-
	<u>\$ 299,119</u>	<u>\$ 721,965</u>	<u>\$ 704,835</u>	<u>\$ 316,249</u>

Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2011	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2012
U.S. Department of Interior						
<i>Passed Through Chickasaw Nation:</i>						
Johnson O'Malley	15.130	563	\$ (7,557)	\$ 8,801	\$ 9,096	\$ (7,852)
U.S. Dept. of Education						
<i>Direct Program:</i>						
Title VII - Indian Education	84.060A	561	-	59,031	57,601	1,430
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies Title I Cluster	84.010	511	(12,277)	125,706	113,429	-
			(12,277)	125,706	113,429	-
Special Education - Flow-Through	84.027	621	-	256,604	256,604	-
Special Education - Preschool Special Education Cluster	84.173	641	-	6,285	6,285	-
			-	262,889	262,889	-
Title II - Part D (a) - Education Technology	84.318	546	-	40	40	-
Title VI - Part B Rural Education	84.358	587	-	31,416	31,416	-
Title II - Part A - Improving Teacher Quality	84.367	541	(6,440)	63,224	60,509	(3,725)
<i>Passed Through Vocational Education:</i>						
Career and Technical Education - Basic Grant to States (Perkins IV)	84.048	421	(6,870)	16,296	7,645	1,781

**Plainview School District I-27
Carter County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2011	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2012
U.S. Dept. of Education - continued						
<i>Passed Through OK State Department of Rehabilitation</i>						
Job Training Vocation	84.126	456	4	2,603	2,530	77
Total U.S. Department of Education			\$ (25,583)	\$ 561,205	\$ 536,059	\$ (437)
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
Cash Assistance:						
National School Lunch Program	10.555		-	184,248	184,248	-
School Breakfast Program	10.553		-	48,692	48,692	-
Cash Assistance Subtotal:			-	232,940	232,940	-
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance (Commodities)						
National School Lunch Program	10.555		-	24,726	24,726	-
Non-Cash Assistance Subtotal:			-	24,726	24,726	-
Child Nutrition Cluster			-	257,666	257,666	-
Total U.S. Department of Agriculture			\$ -	\$ 257,666	\$ 257,666	\$ -
Total Expenditures of Federal Awards			\$ (33,140)	\$ 827,672	\$ 802,821	\$ (8,289)

Plainview School District I-27
Carter County, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Plainview School District I-27 Carter County, Oklahoma. The schedule is prepared using the cash receipts and disbursement basis. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received. Expenditures include amounts claimed as indirect costs if applicable.



**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
Plainview School District I-27
Ardmore, Oklahoma 73401

We have audited the financial statements of each fund type and account group of Plainview School District I-27, as of and for the year June 30, 2012, which collectively comprise Plainview School District's regulatory financial statements and have issued our report thereon dated March 7, 2013. Our report was modified because of the District's policy to prepare its financial statements in accordance with the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The report on the general long term asset account group was qualified because the District did not maintain the account group. Except as discussed in the preceding sentence, 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

Management of Plainview School District I-27, is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Plainview School District I-27'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 Plainview School District I-27's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plainview School District I-27's internal control over financial reporting.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency described as 2012-2 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 of those charged with governance. We consider the deficiency described as 2012-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plainview School District I-27'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-3 and 2012-4.

We noted certain other matters that we reported to management of Plainview School District I-27 in a separate letter dated March 7, 2013.

Plainview School District I-27's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Plainview School District I-27's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

March 7, 2013



**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
Plainview School District I-27
Ardmore, Oklahoma 73401

Compliance

We have audited the compliance of Plainview School District I-27, Carter County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. Plainview School District I-27, Carter County, Oklahoma'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 Plainview School District I-27, Carter County, Oklahoma's management. Our responsibility is to express an opinion on Plainview School District I-27, Carter County, Oklahoma'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 Plainview School District I-27, Carter County, Oklahoma'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 Plainview School District I-27, Carter County, Oklahoma's compliance with those requirements.

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In our opinion, Plainview School District I-27, Carter County, Oklahoma complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Plainview School District I-27, Carter County, Oklahoma 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 Plainview School District I-27, Carter County, Oklahoma'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 Plainview School District I-27'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 Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specifies parties.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma

March 7, 2013

**Plainview School District I-27
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of audit report:	Qualified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	_____ X _____ Yes _____ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ X _____ Yes _____ No
Noncompliance material to financial statement	_____ X _____ Yes _____ No

Federal Awards:

Internal control over major program:	
Material weakness(es) identified?	_____ Yes _____ X _____ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes _____ X _____ No
Type of auditors' report issued on compliance for major programs:	Unqualified Opinion
Any audit findings disclosed that are required to be reported in	_____ Yes _____ X _____ No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.173 & 84.027	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type	\$ 300,000
Auditee qualified as a low-risk auditee?	_____ Yes _____ X _____ No

Plainview School District I-27
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-1 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

Cause: The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

Effect: Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

Recommendation: We recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

Plainview School District I-27
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

2012-2 Segregation of Duties in Child Nutrition

Condition: The child nutrition director performs posting of collections, tracking of charges for meals, preparing the deposit and billing charge balances.

Criteria: An adequately designed internal control system separates duties over handling cash between custody, approval, and recordkeeping.

Cause: Only one individual has sole responsibility of receipting, reconciling and billing child nutrition activity.

Effect: Risk that errors or omissions will not be identified in a timely manner.

Recommendation: We recommend that cashiers be involved in receipting of the cash before received by the child nutrition director.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will have cashiers issue receipt for funds collected from students. The District will also review the procedures of child nutrition collections to determine if any additional controls can be implemented.

2012-3 Purchasing

Condition: Purchases occurred before the appropriate budgetary control was in place and approved.

Criteria: Title 70-5.135 requires that prior to any purchase being completed a purchase order must be issued.

Cause: Failure to determine a purchase order was created and approved prior to making purchase.

Context: One out of twenty-five purchase orders tested were dated after the invoice.

Effect: Lack of compliance with state law

Recommendation: We recommend that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

Plainview School District I-27
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

2012-4 Activity Fund Receipts

Condition: Funds are not being turned to the financial secretary timely to allow the funds to be deposited within one business day of receipt.

Criteria: Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100. District Policy of sponsor receipts to be reconciled and in agreement with activity fund custodian receipt issued to sponsor.

Cause: Failure to follow regulations and district policy

Context: Three out of twenty-five receipts tested were not deposited within one business day based on date received by sponsor.

Effect: Lack of compliance with state law

Recommendation: We recommend that deposits be made timely and that sponsors ensure that their receipts are in agreement with activity fund custodian receipt issued when they remit funds to be deposited.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

Section III – Federal Award Findings and Questioned Costs

None

Plainview School District I-27
Carter County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2012

Financial Statement Findings

2011-1 *Condition:* The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Recommendation: The auditor recommended the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

Status: Condition still exists. See 2012-1

2011-2 *Condition:* The treasurer performs posting of cash receipts, preparing the deposit and reconciling bank accounts.

Recommendation: The auditor recommended that another staff member be involved in the process of handling cash that comes into the District administrative office.

Status: Condition has been resolved

2011-3 *Condition:* Purchases occurred before the appropriate budgetary control was in place and approved.

Recommendation: The auditor recommended that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

Status: Condition still exists. See 2012-3

2011-4 *Condition:* This finding stated that activity fund receipts in excess of \$100 were not made by the end of the next business day.

Recommendation: The auditor recommended activity sponsors be informed of the policies related to turning funds in timely.

Status: Condition still exists. See 2012-4

**Plainview School District I-27
Carter County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2012**

Federal Award Findings and Questioned Costs

None

Plainview School District I-27
Carter County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2012

The District has a Public Official Position Schedule Bond with Western Surety Company. The bond number is 70750218. It covers all employees for the penal sum of \$100,000 and is for the term July 1, 2011 to June 30, 2012.

The treasurer is bonded by Western Surety Company, bond number 70750726, for the penal sum of \$100,000 for the term July 1, 2011 to June 30, 2012.

**Plainview School District I-27
Carter County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2012**

State of Oklahoma)

County of Carter)

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 Plainview School District I-27 for the audit year 2011-2012.

RAHHAL HENDERSON JOHNSON, PLLC

BY: Mary E. Johnson
Authorized Agent

Subscribed and sworn to before me on this 7 day of March, 2013.

Brenda Richardson
Notary Public

Commission Number: _____
My commission expires on: _____ day of, _____, 20____.

