HOLLIS INDEPENDENT SCHOOL DISTRICT NO. I-66
HARMON COUNTY, OKLAHOMA
JUNE 30, 2014

AUDIT ACKNOWLEDGMENT

The annual independent audit for the Hollis Independent School District No. I-66 was presented to the Board of Education in an Open Board Meeting on October 14, 2014, by Marilyn J. Kroll, CPA Inc. PC.

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgment form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from it's presentation, as stated in 70 O.S. S 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Superintendent of Schools

Board of Education President

Board of Education Vice President

Board of Education Member

Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this 14th Day of, October, 2014.

My commission expires on 26th Day of April, 2018.

Donna F. Lewis
Notary Public

DONNA F. LEWIS
Notary Public
State of Oklahoma
Commission # 02007457
My Commission Expires Apr 26, 2018

Affix Notary Seal

HOLLIS INDEPENDENT SCHOOL
DISTRICT NO. I-66
HARMON COUNTY, OKLAHOMA

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
JULY 1, 2013 TO JUNE 30, 2014

HOLLIS INDEPENDENT SCHOOL DISTRICT NO. I-66
HARMON COUNTY, OKLAHOMA
JUNE 30, 2014

SCHOOL DISTRICT OFFICIALS

BOARD OF EDUCATION

President	Terry Bogle
Vice-President	Heath Beanland
Member	Scott Horton
Member	Jason Rollins
Member	Danna Robinson

CLERK OF BOARD OF EDUCATION

Danna Robinson

SCHOOL DISTRICT TREASURER

Robbie Gee

SUPERINTENDENT OF SCHOOLS

Jennifer McQueen

HOLLIS INDEPENDENT SCHOOL DISTRICT NO. I-66

HARMON COUNTY, OKLAHOMA

JUNE 30, 2014

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Marilyn J. Kroll, CPA Inc. PC
Certified Public Accountant

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Marilyn J. Kroll, CPA
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INDEPENDENT AUDITOR'S REPORT

October 10, 2014

The Honorable Board of Education
Hollis Independent School District Number I-66
Hollis, Harmon County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Hollis Independent School District Number I-66, Hollis, Harmon County, Oklahoma (District)as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As discussed in Note 1, the financial statements are prepared by the Hollis School District Number I-66, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to previously do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hollis Independent School District Number I-66, Hollis, Harmon County, Oklahoma as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of Hollis Independent School District Number I-66, Hollis, Harmon County, Oklahoma, as of June 30, 2014, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements-regulatory basis, are presented for purposes of

additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marilyn J. Kroll CPA Inc PC

Marilyn J. Kroll, CPA Inc. PC
Certified Public Accountant

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2014

	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Trust and Agency
ASSETS			
Cash and cash equivalents	$ 1,278,573.39	$ 465,670.69	$ 172,093.17
Investments	0.00	0.00	0.00
Total assets	$ 1,278,573.39	$ 465,670.69	$ 172,093.17
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	$ 227,858.25	$ 80,342.89	$ 6,042.36
Encumbrances	0.00	0.00	0.00
Due to others	0.00	0.00	166,050.81
Total liabilities	227,858.25	80,342.89	172,093.17
Fund balances:			
Unreserved:			
Designated for capital projects	0.00	0.00	0.00
Designated for debt service	0.00	0.00	0.00
Undesignated	1,050,715.14	385,327.80	0.00
Total fund balances	1,050,715.14	385,327.80	0.00
Total liabilities and fund balances	$ 1,278,573.39	$ 465,670.69	$ 172,093.17

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

Total (Memorandum Only - Note 1) 2014	Total (Memorandum Only - Note 1) 2013
$ 1,916,337.25	$ 2,066,153.55
0.00	0.00
$ 1,916,337.25	$ 2,066,153.55
$ 314,243.50	$ 387,283.15
0.00	0.00
166,050.81	124,350.11
480,294.31	511,633.26
0.00	0.00
0.00	0.00
1,436,042.94	1,554,520.29
1,436,042.94	1,554,520.29
$ 1,916,337.25	$ 2,066,153.55

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Local sources	$ 51,603.25	$ 115,676.05
Intermediate sources	771,034.11	97,797.71
State sources	3,100,775.00	28,636.36
Federal sources	455,102.37	137,123.17
Total revenues	4,378,514.73	379,233.29
Expenditures:		
Instruction	2,669,781.78	0.00
Support services	1,632,843.75	215 562.05
Non-Instructional services	46,182.46	204,961.34
Capital outlay	570.00	69,540.00
Other outlays	21,918.69	17,629.67
Debt service:		
Principle retirement	0.00	0.00
Interest and fiscal agent charges	0.00	0.00
Judgments paid	0.00	0.00
Total expenditures	4,371,296.68	507,693.06
Excess of revenues over (under) expenditures	7,218.05	-128,459.77
Adjustments to prior year encumbrances	2,639.37	125.00
Other financing sources (uses):		
Bond sale proceeds	0.00	0.00
Operating transfers in	0.00	0.00
Operating transfers out	0.00	0.00
Total other financing sources (uses)	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	9,857.42	-128,334.77
Beginning fund balances	1,040,857.72	513,662.57
Ending fund balances	$ 1,050,715.14	$ 385,327.80

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

Total (Memorandum Only - Note 1) 2014	Total (Memorandum Only - Note 1) 2013
$ 167,279.30	$ 46,364.52
868,831.82	863,495.40
3,129,411.36	3,196,986.02
592,225.54	662,659.58
4,757,748.02	4,769,505.52
2,669,781.78	2,784,653.84
1,848,405.80	1,589,818.04
251,143.80	243,566.57
70,110.00	32,646.67
39 548.36	17,663.42
0.00	0.00
0.00	0.00
0.00	0.00
4,878,989.74	4,668,348.54
-121,241.72	101,156.98
2,764.37	230.15
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
-118,477.35	101,387.13
1,554,520.29	1,930,994.52
$ 1,436,042.94	$ 2,032,381.65

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE
(BUILDING AND CHILD NUTRITION ONLY) FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning fund balances	$ 1,040,857.72	$ 1,040,857.72	$ 1,040,857.72	$ 0.00
Revenues:				
Local sources	10,000.00	10,000.00	51,603.25	41,603.25
Intermediate sources	709,788.41	709,788.41	771,034.11	61,245.70
State sources	2,841,389.70	2,841,389.70	3,100,775.00	259,385.30
Federal sources	370,150.62	370,150.62	455,102.37	84,951.75
Total revenues	3,931,328.73	3,931,328.73	4,378,514.73	447,186.00
Expenditures:				
Instruction	3,302,347.54	3,302,347.54	2,669,781.78	632,565.76
Support services	1,588,983.29	1,588,983.29	1,632,843.75	-43,860.46
Non-Instructional services	58,366.93	58,366.93	46,182.46	12,184.47
Capital outlay	570.00	570.00	570.00	0.00
Other outlays	21,918.69	21,918.69	21,918.69	0.00
Total expenditures	4,972,186.45	4,972,186.45	4,371,296.68	600,889.77
Excess of revenues and beginning fund balances over (under) expenditures	$ 0.00	$ 0.00	1,048,075.77	$ 1,048,075.77
Adjustments to prior year encumbrances			2,639.37	
Other financing sources (uses):				
Operating transfers in			0.00	
Operating transfers out			0.00	
Total other financing sources (uses)			0.00	
Excess of revenues and other sources over (under) expenditures and other uses			1,050,715.14	
Ending fund balances			$ 1,050,715.14	

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Hollis School District Number I-66, Hollis, Harmon County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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 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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. There are no component units (entities considered to be financially accountable to the District).

B. Measurement Focus

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

Governmental funds - are used to account for most of the District'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). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund - is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

Special Revenue funds - account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue fund is composed of the District's Building Fund. These are budgeted funds and any fund balances are considered as resources available for use.

Building fund - consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition fund - consists of monies from federal, state and local sources used for the operation of the District's school cafeteria. Child Nutrition fund monies were transferred to the General fund as of June 30, 2014. The operation of the District's school cafeteria will be a part of the General Fund as of the July 1, 2014 to June 30, 2015 school year.

Debt Service fund - consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Project fund - consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

Fiduciary funds - account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund - is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are

accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fund-raising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

Account groups - are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt.

General Long-term Debt Account Group - accounts for the outstanding principal balances of 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.

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* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when acquired.
- School supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Group and not in the basic financial statements.
- Compensated absences are recorded as an expenditure when paid and not recorded as a liability.

- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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.

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

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

4. Interfund Transactions

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

7. Compensated Absences

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

The District reports long-term debt at face value in the general long-term debt account group. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. Fund Balance

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the

degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered non-spendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund))and those that are spendable (such as a fund balance associated with cash, investments or receivables).

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

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

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

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

10. Property Taxes and Other Local 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is 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 assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

11. Intermediate Revenues

Revenue from intermediate source is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

12. State Revenues

Revenues from state sources for current operations are primarily governed by 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. 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 educational program revenues be accounted for in the general fund.

13. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

14. Non-Monetary Transactions

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

15. Memorandum Only - Total Columns

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

16. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative date (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read. Certain previously reported amounts have been reclassified to conform to current year classifications.

17. Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the District considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund - is utilized in all Governmental Funds of the District. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

Deposits and Investments

Custodial Credit Risk At June 30, 2014, the District held deposits of approximately $1,916,337.25 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk 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.

Investment Credit Risk The District has no policy that limits its investment choices other than the limitation of state law as follows:

- 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.
- Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs.

The cash and investments held at June 30, 2014 are as follows:

Type	FMV	Cost
Money Market Funds	$1,416,337.25	$1,416,337.25
Certificates of Deposit	500,000.00	500,000.00
Total Investments	$1,916,337.25	$1,916,337.25

The weighted average maturity of certificate of deposits is six months.

Concentration of Investment Credit Risk The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 26% in Certificates of Deposit ($500,000) and 74% in money market funds ($1,416,337.25.)

4. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: commercial property - $750,000,000; general liability $1,000,000; and educators liability $1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to

pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was $3,129.82.

D. Employee Retirement System and Plan

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System

issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. 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 System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The District's total contributions for 2014, 2013, and 2012 were $250,841, $252,801 and $252,874 respectively.

E. Surety Bonds

The superintendent is bonded by Western Surety Company, bond number 70982833, dated August 12, 2013, in the amount of $100,000 and for the term of one year.

The Western Surety Insurance Company bonds five positions, Clerk, Encumbrance Clerk, Superintendent Secretary, HS Secretary each in the amount of $10,000 and Child Nutrition Clerk in the amount of $1,000. The bond number is 70827059, dated November 5, 2013, for an indefinite period.

The Liberty Mutual Surety Insurance Company bonds five custodial positions for the activity funds in the amount of $1,000 each or a total of $5,000. The bond number is E752069/32S108662 and is renewed on July 1 annually.

The Associated County Commissioners of Oklahoma holds coverage for the County Treasurer in the amount of $100,000. The policy number is ACCO-SIG2013 and is renewed on July 1 annually.

F. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued. During the current school year and on June 30, 2014, Child Nutrition fund monies were transferred to the General fund in anticipation of operating the District's school cafeteria as a part of the General Fund in subsequent years. Management has further determined that no other additional information needs to be added to the financial statements.

HOLLIS SCHOOL DISTRICT NUMBER I-66
HARMON COUNTY, OKLAHOMA

OTHER INFORMATION

JUNE 30, 2014

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2014

	Building Fund	Child Nutrition Fund	Other	Totals 2014
ASSETS				
Cash and cash equivalents	$ 458,712.86	$ 6,957.83	$ 0.00	$ 465,670.69
Investments	0.00	0.00	0.00	0.00
Total assets	$ 458,712.86	$ 6,957.83	$ 0.00	$ 465,670.69
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	$ 73,385.06	$ 6,957.83	$ 0.00	$ 80,342.89
Encumbrances	0.00	0.00	0.00	0.00
Total liabilities	73,385.06	6,957.83	0.00	80,342.89
Fund balances:				
Unreserved:				
Undesignated	385,327.80	0.00	0.00	385,327.80
Total fund balances	385,327.80	0.00	0.00	385,327.80
Total liabilities and fund balances	$ 458,712.86	$ 6,957.83	$ 0.00	$ 465,670.69

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

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Building Fund	Child Nutrition Fund	Other	Totals 2014
Revenues:				
Local sources	$ 98,165.68	$ 17,510.37	$ 0.00	$ 115,676.05
Intermediate sources	97,797.71	0.00	0.00	97,797.71
State sources	88.89	28,547.47	0.00	28,636.36
Federal sources	0.00	137,123.17	0.00	137,123.17
Total revenues	196,052.28	183,181.01	0.00	379,233.29
Expenditures:				
Instruction	0.00	0.00	0.00	0.00
Support services	215,562.05	0.00	0.00	215,562.05
Non-Instructional services	0.00	204,961.34	0.00	204,961.34
Capital outlay	69,540.00	0.00	0.00	69,540.00
Other outlays	0.00	17,629.67	0.00	17,629.67
Total expenditures	285,102.05	222,591.01	0.00	507,693.06
Excess of revenues over (under) expenditures	-89,049.77	-39,410.00	0.00	-128,459.77
Adjustments to prior year encumbrances	0.00	125.00	0.00	125.00
Other financing sources (uses):				
Operating transfers in	0.00	0.00	0.00	0.00
Operating transfers out	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	-89,049.77	-39,285.00	0.00	-128,334.77
Fund balances, beginning of year	474,377.57	39,285.00	0.00	513,662.57
Fund balances, end of year	$ 385,327.80	$ 0.00	$ 0.00	$ 385,327.80

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

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE
(BUILDING AND CHILD NUTRITION ONLY) FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Building Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning fund balances	$ 474,377.57	$ 474,377.57	$ 474,377.57	$ 0.00
Revenues:				
Local sources	0.00	0.00	98,165.68	98,165.68
Intermediate sources	93,151.00	93,151.00	97,797.71	4,646.71
State sources	0.00	0.00	88.89	88.89
Federal sources	0.00	0.00	0.00	0.00
Total revenues,	93,151.00	93,151.00	196,052.28	102,901.28
Expenditures:				
Instruction	0.00	0.00	0.00	0.00
Support services	497,988.57	497,988.57	215,562.05	282,426.52
Non-Instructional services	0.00	0.00	0.00	0.00
Capital outlay	69,540.00	69,540.00	69,540.00	0.00
Other outlays	0.00	0.00	0.00	0.00
Total expenditures	567,528.57	567,528.57	285,102.05	282,426.52
Excess of revenues and beginning fund balances over (under) expenditures	$ 0.00	$ 0.00	385,327.80	$ 385,327.80
Adjustments to prior year encumbrances			0.00	
Other financing sources (uses):				
Operating transfers in			0.00	
Operating transfers out			0.00	
Total other financing sources (uses)			0.00	
Excess of revenues and other sources over (under) expenditures and other uses			385,327.80	
Ending fund balances			$ 385,327.80	

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

Special Revenue Funds

Child Nutrition Fund

Original Budget	Final Budget	Actual	Variance
$ 39,285.00	$ 39,285.00	$ 39,285.00	$ 0.00
17,900.00	17,900.00	17,510.37	-389.63
0.00	0.00	0.00	0.00
3,600.00	3,600.00	28,547.47	24,947.47
165,000.00	165,000.00	137,123.17	-27,876.83
186,500.00	186,500.00	183,181.01	-3,318.99
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
225,785.00	225,785.00	204,961.34	20,823.66
0.00	0.00	0.00	0.00
0.00	0.00	17,629.67	-17,629.67
225,785.00	225,785.00	222,591.01	3,193.99
$ 0.00	$ 0.00	-125.00	$ -125.00
		125.00	
		0.00	
		0.00	
		0.00	
		0.00	
		$ 0.00	

HOLLIS, SCHOOL DISTRICT NO. I-66
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL FIDUCIARY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Balance 7/1/13	Revenues	Net Transfers	Disbursements	Balance 6/30/14
ASSETS					
CASH:					
ACTIVITY FUNDS	$124,350.11	$ 293,627.05	$ 0.00	$ 251,926.35	$ 166,050.81
LIABILITIES					
DUE TO STUDENT GROUPS:					
SCHOOL ACTIVITY ACCOUNT					
ATHLETICS	$ 3,589.82	$101,875.20	0.00	$ 95,100.61	$10,364.41
ANNUAL	4,626.71	14,127.00	0.00	1,814.77	16,938.94
BAND	2,415.84	12,295.71	0.00	8,810.83	5,900.72
SR HI CHEERLEADERS	1,047.27	24,136.76	0.00	19,852.73	5,331.30
CONCESSION	2,068.00	10,123.47	0.00	5,833.74	6,357.73
JR HI CHEERLEADERS	1,793.61	7,006.50	0.00	6,242.15	2,557.96
EIGHTH GRADE	3,318.46	821.00	0.00	889.46	3,250.00
ART	75.20	55.00	0.00	50.00	80.20
BPA	1,648.43	1,933.05	0.00	3,175.09	406.39
FCCLA	8,201.23	1,707.39	0.00	2,618.96	7,289.66
FIFTH GRADE	93.25	0.00	0.00	0.00	93.25
FRESHMEN	4,990.79	1,912.50	0.00	449.34	6,453.95
GENERAL FUND REFUND	20.26	22,708.36	0.00	22,508.62	220.00
GRADE SCHOOL	14,650.73	10,015.87	0.00	13,720.49	10,946.11
COURTESY COMMITTEE	2,184.88	600.00	0.00	368.35	2,416.53
JUNIORS	12,655.05	494.00	0.00	5,245.55	7,903.50
LIBRARY	3,796.35	3,552.34	0.00	2,907.36	4,441.33
LOCKS	517.41	0.00	0.00	0.00	517.41
MISCELLANEOUS SUB ACCT	330.61	532.76	0.00	665.58	197.79
PENCILS	430.62	84.50	0.00	0.00	515.12
PICTURES	8,542.39	1,302.00	0.00	0.00	9,844.39
SENIOR ALUMNI	13,170.74	0.00	0.00	858.35	12,312.39
SENIORS	2,463.84	2,975.00	0.00	5,077.76	361.08
SEVENTH GRADE	895.00	1,199.25	0.00	466.93	1,627.32
SIXTH GRADE	0.00	3,631.72	0.00	1,057.68	2,574.04
SOPHOMORE	7,435.21	860.00	0.00	350.00	7,945.21
TEACHER CADET	75.73	0.00	0.00	0.00	75.73
VO AG	11,976.17	35,266.91	0.00	31,042.56	16,200.52
SPEECH	1,114.60	960.00	0.00	836.69	1,237.91
SPANISH	51.30	0.00	0.00	0.00	51.30
TLCC SCHOLARSHIP	1.00	0.00	0.00	0.00	1.00
ACADEMIC	.51	0.00	0.00	0.00	.51
STUDENT SCHOLARSHIP	543.60	1,617.00	0.00	600.00	1,560.60
CHORUS	131.66	0.00	0.00	0.00	131.66
TECHNOLOGY STUDENT ASSOC	1,648.89	0.00	0.00	0.00	1,648.89
BASEBALL/SOFTBALL	0.00	1,570.00	0.00	0.00	1,570.00
SEIGRIST MEMORIAL SCH.	1,000.00	1,500.00	0.00	2,500.00	0.00
FOOTBALL ACTIVITY	3,155.50	26,252.80	0.00	17,737.83	11,670.47
HS/MS BOX TOPS	162.60	502.20	0.00	0.00	664.80
MS/SCIENCE CLUB	0.00	695.91	0.00	156.34	539.57
GRADE SCHOOL PHYS ED	774.12	744.80	0.00	795.08	723.84
HOLLIS PUBLIC SCHOOL FD	146.60	0.00	0.00	0.00	146.60
GRADUATION EXPENSE ACCT.	2,606.13	568.05	0.00	193.50	2,980.68
	$124,350.11	$ 293,627.05	$ 0.00	$ 251,926.35	$166,050.81

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

HOLLIS INDEPENDENT SCHOOL DISTRICT NO. I-66
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Project Number	CFDA Number	Program Award Amt.	Accrued Revenue at July 1, 2013	Revenue Recognized	Disbursements/ Expenditures	Accrued Revenue at June 30, 2014
Passed through U.S. Department of Education							
Fed.Voc Edu Carl Perkins	421	84.048	$ 22,531.00	$ 0.00	$ 0.00	$ 22,531.00	$ 22,531.00
Fed.Voc Edu Carl Perkins	799	84.048	0.00	22,573.00	22,573.00	0.00	0.00
Total U.S. Dept of Education			22,531.00	22,573.00	22,573.00	22,531.00	22,531.00
Passed through State Dept of Edu							
Title I - Part A, Basic	511	84.010	149,551.82	0.00	149,551.82	149,551.82	0.00
Title I - Part A, PY	799	84.010	0.00	32,011.76	32,011.76	0.00	0.00
Title I - Part A, Neglected	518	84.010	8,121.32	0.00	0.00	0.00	0.00
Title I - Part C, Migrant	521	84.011	32,632.02	0.00	28 539.00	32,632.02	4,093.02
Title II - Part A, Teach&Prin	541	84.367	49,736.15	0.00	12,404.35	18,734.62	6,330.27
Title II - Part A, Teach&Prin	799	84.367	0.00	21,603.52	21,603.52	0.00	0.00
IDEA B - Flow Through	621	84.027	127,791.05	0.00	86,508.12	107,129.75	20,621.63
IDEA B - Flow Through PY	799	84.027	0.00	24,472.15	24,472.15	0.00	0.00
IDEA B - Spe Ed PreSchool	641	84.173	5,074.39	0.00	3,340.46	4,008.51	668.05
IDEA B - Spe Ed PreSchool	799	84.173	0.00	812.72	812.72	0.00	0.00
Total Department of Education			372,906.75	78,900.15	359,243.90	312,056.72	31,712.97
Passed through State Dept of Human Svcs							
Medicaid Resources	698	93.778	60,993.10	0.00	60,993.10	60,993.10	0.00
Total State Dept of Human Svcs			60,993.10	0.00	60,993.10	60,993.10	0.00
Passed through USDA							
National School Breakfast	764	10.553	38,079.88	0.00	38,079.88	38,079.88	0.00
National School Lunch	763	10.555	111,335.66	0.00	111,335.66	111,335.66	0.00
Passed through St Dept of Human Svcs							
Commodity Distribution		10.555	3,129.82	0.00	3,129.82	3,129.82	0.00
Total Department of Agriculture			152,545.36	0.00	152,545.36	152,545.36	0.00
Total Federal Financial Assistance			$ 608,976.21	101,473.15	$ 595,355.36	$ 548,126.18	$ 54,243.97

See accompanying notes to the Schedule of Federal Financial Assistance.

HOLLIS INDEPENDENT SCHOOL DISTRICT NO. I-66
HARMON COUNTY, OKLAHOMA
NOTES TO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note A: BASIS OF PRESENTATION

This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements except for non-monetary assistance noted in Note B.

Note B: FOOD DISTRIBUTION

Non-Monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

HOLLIS SCHOOL DISTRICT NUMBER I-66
HARMON COUNTY, OKLAHOMA

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

JUNE 30, 2014

Marilyn J. Kroll, CPA Inc. PC
Certified Public Accountant
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Marilyn J. Kroll, CPA
•

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
Hollis Independent School District Number I-66
Hollis, Harmon County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements—regulatory basis within the combined financial statements of the Hollis Independent School District Number I-66, Hollis, Harmon County, Oklahoma (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 10, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic 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.

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. 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.

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marilyn J. Kroll CPA Inc PC

Marilyn J. Kroll, CPA Inc. PC

Altus, Oklahoma
October 10, 2014

Marilyn J. Kroll, CPA Inc. PC
Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 10, 2014

The Honorable Board of Education
Hollis School District Number I-66
Hollis, Harmon County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Hollis School District Number I-66, Hollis, Harmon County, Oklahoma (District'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, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hollis School District Number I-66, Hollis, Harmon 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

MEMBER OF AMERICAN INSTITUTE AND OKLAHOMA SOCIETY OF CPA'S

Hollis School District No. I-66
October 10, 2014

Opinion on Each Major Federal Program

In our opinion, the Hollis School District Number I-66, Hollis, Harmon 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, 2014.

Report on Internal Control Over Compliance

Management of the Hollis Independent School District Number I-66, Harmon County, Oklahoma (the District) is responsible for establishing and maintaining effective internal control over compliance and the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Marilyn J. Kroll, CPA Inc. PC

Hollis Independent School District No. I-66
Summary of Findings and Questioned Costs
For the Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:
Material Weakness(es) identified?___Yes_X_No

Significant Deficiencies identified not considered to be material weaknesses?___Yes_X_No

Noncompliance material to financial statements noted?___Yes_X_No

Federal Awards:

Type of auditors report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:
Material Weakness(es) identified?___Yes_X_No

Significant Deficiencies identified not considered to be material weaknesses?___Yes_X_No

Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)___Yes_X_No

Dollar threshold used to distinguish Type A and Type B programs: $300,000

Auditee Qualified as low-risk auditee? ___Yes_X_No

Identification of Major Programs:		
	CFDA# 84.010	Title I
	CFDA# 84.027	IDEA B
	CFDA# 84.367	Title II

Findings - Financial Statement Audit

1. None

Findings - Major Federal Award Programs Audit

1. None

Findings - Summary of Prior Audit Findings

1. None

HOLLIS INDEPENDENT SCHOOL DISTRICT NUMBER I-66
HARMON COUNTY, OKLAHOMA

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

July 1, 2013 to June 30, 2014

State of Oklahoma)

County of Jackson)

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 time of audit contract and during the entire audit engagement with Hollis Independent School District No. I-66 for the audit year 2013 - 2014.

Marilyn J. Kroll, CPA Inc. PC
AUDITING FIRM

BY Marilyn J. Kroll
AUTHORIZED AGENT

Subscribed and sworn to before me on this
11th day of September, 2014.

NOTARY PUBLIC

My commission expires on
11th day of January, 2014.

Commission No. 11000333