



Financial Statements
June 30, 2014

Oklahoma Secondary Schools Activities Association

Oklahoma Secondary Schools Activities Association

Table of Contents

June 30, 2014

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Financial Position.....	3
Statements of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Detailed Activity Schedule	13
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16



Independent Auditor's Report

Oklahoma Secondary Schools Activities Association
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Secondary Schools Activities Association, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Secondary Schools Activities Association as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Basis

As discussed in Note 1 to the financial statements, in Fiscal Year 2014, the Association adopted a policy of preparing its financial statements in accordance with generally accepted accounting principles. Prior to the year ended June 30, 2014, the financial statements of the Association had been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The net assets as of June 30, 2013 have been restated to reflect generally accepted accounting principles adopted in Fiscal Year 2014. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 through 15 is presented for the purposes of additional analysis and is 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 6, 2014 on our consideration of the Oklahoma Secondary Schools Activities Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Oklahoma Secondary Schools Activities Association's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
October 6, 2014

Oklahoma Secondary Schools Activities Association
Statement of Financial Position
June 30, 2014

Assets

Current Assets

Cash and cash equivalents	\$ 161,690
Certificates of deposit	1,244,358
Investments	157,402
Accounts receivable, net	130,432
Prepaid expenses and other assets	40,993
	<u>1,734,875</u>
Total current assets	<u>1,734,875</u>

Property and Equipment

Fixed assets, at cost	
Land	361,824
Building and improvements	982,940
Furniture and fixtures	84,533
Equipment	69,542
Transportation equipment	170,225
	<u>1,669,064</u>

Less accumulated depreciation	<u>628,937</u>
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Total property and equipment	<u>1,040,127</u>
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Total assets	<u><u>\$ 2,775,002</u></u>
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Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 54,539
Deferred revenue	30,379
	<u>84,918</u>

Total liabilities	<u>84,918</u>
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Net Assets

Unrestricted	<u>2,690,084</u>
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Total liabilities and net assets	<u><u>\$ 2,775,002</u></u>
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Oklahoma Secondary Schools Activities Association
Statement of Activities
Year Ended June 30, 2014

Revenues	
Activities	\$ 4,367,436
Corporate sponsorship	385,746
Official's fees and camp	210,344
Royalties (T-shirts, etc.)	105,564
School playoff passes	79,800
Championship passes	26,470
Net investment return	39,896
In-kind contributions	24,517
Insurance recoveries	17,284
Miscellaneous	<u>24,737</u>
Total revenue, support, and gains	<u>5,281,794</u>
Expenses	
Program services	5,286,535
Management and general	<u>357,945</u>
Total expenses	<u>5,644,480</u>
Decrease in net assets	(362,686)
Unrestricted net assets at beginning of year, as adjusted to GAAP (Note 1)	<u>3,052,770</u>
Unrestricted net assets at end of year	<u><u>\$ 2,690,084</u></u>

Oklahoma Secondary Schools Activities Association
 Statements of Functional Expenses
 Year Ended June 30, 2014

	<u>Program</u>	<u>Management and Administrative</u>	<u>Total</u>
Activities	3,143,980	-	3,143,980
Salaries and wages	891,526	157,328	1,048,854
Employee benefit programs	67,062	11,834	78,896
Pension fund	151,694	26,769	178,463
Payroll taxes and other payroll costs	67,249	11,868	79,117
Telephone and internet	11,181	1,973	13,154
Postage	52,029	5,781	57,810
Utilities	19,140	3,378	22,518
Dues and subscriptions	3,474	-	3,474
Bldg. and equip. maintenance	8,473	26,304	34,777
Insurance	246,062	44,165	290,227
Board of directors	17,019	17,020	34,039
Committees and meeting costs	51,350	5,705	57,055
Legal fees	323,499	17,026	340,525
Professional fees - other	43,160	2,272	45,432
Data Processing	12,967	785	13,752
Depreciation	58,923	10,398	69,321
Printing	64,409	3,390	67,799
Office and other	17,771	3,136	20,907
Automobile	35,567	4,091	39,658
Courtesy fund	-	4,722	4,722
	<u>\$ 5,286,535</u>	<u>\$ 357,945</u>	<u>\$ 5,644,480</u>

Oklahoma Secondary Schools Activities Association
Statement of Cash Flows
Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in net assets	\$ (362,686)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	69,321
Realized and unrealized gain on investments	(25,210)
Changes in operating assets and liabilities	
Accounts receivable, net	(7,644)
Prepaid expenses and other assets	(1,436)
Accrued expenses and other liabilities	23,358
Deferred revenue	(1,669)
	<u>(305,966)</u>
Net Cash used for Operating Activities	
Cash Flows from Investing Activities	
Purchases of certificates of deposit	(162,641)
Maturities of certificates of deposit	506,812
Purchases of property and equipment	(47,620)
	<u>296,551</u>
Net Cash from Investing Activities	
Net Change in Cash and Cash Equivalents	(9,415)
Cash and Cash Equivalents, Beginning of Year	<u>171,105</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 161,690</u></u>

Note 1 - Nature of Activity and Significant Accounting Policies

Organization

The Oklahoma Secondary Schools Activities Association (the “Association”) is a not-for-profit organization whose mission is to provide support to secondary schools in Oklahoma for athletics, activities and other services. The Association’s primary source of revenue is from event revenue, corporate sponsorships, and officials’ fees.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Prior to the year ended June 30, 2014, the financial statements of the Association had been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from generally accepted accounting principles primarily in that revenues (cash receipts) are generally recognized when received rather than when earned and expenses (cash disbursements) are recognized when paid rather than when incurred. The Association modified the cash basis of accounting by including property and equipment and related depreciation.

Effective for the fiscal year ended June 30, 2014, management determined that generally accepted accounting principles would be most appropriate for the Association. As such, previously issued net asset amounts have been restated to conform to generally accepted accounting principles. Detail of these changes as of July 1, 2013 are as follows:

Beginning net assets, as previously reported under modified cash basis	\$ 2,953,654
To recognize prepaid expenses and other assets	39,557
To recognize accounts receivable	122,788
To recognize advance receipts as deferred revenue	(32,048)
To recognize accounts payable and accrued expenses	<u>(31,181)</u>
Beginning net assets, as restated to conform to generally accepted accounting principles	<u><u>\$ 3,052,770</u></u>

Cash and Cash Equivalents

Cash and cash equivalents include various checking accounts. The Association considers cash equivalents to be all highly liquid debt instruments with a maturity of three months or less.

Property and Equipment

The cost of property, furniture and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method based on the following useful lives:

Building and improvements	20 - 40 years
Furniture and fixtures	7 - 10 years
Equipment	3 - 15 years
Transportation equipment	5 years

Maintenance and repairs which do not improve or extend the useful life of the asset are expensed when paid. Additions and betterments in excess of \$1,000 are capitalized.

The Association recognized \$69,321 in depreciation for the fiscal year ending June 30, 2014.

The Association records impairments to property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Association based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2014.

Investments

The Association invests in certificates of deposit and mutual funds. Interest, dividends, and unrealized and realized gains and losses are reported in the statement of activities.

The maturity dates of the certificates of deposit range from November 15, 2014 to April 29, 2019 and have interest rates that range from 0.07% to 2.25%.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of Oklahoma Secondary Schools Activities Association and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by Oklahoma Secondary Schools Activities Association's Board of Directors. The Association has no temporarily restricted net assets as of June 30, 2014.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Oklahoma Secondary Schools Activities Association. The restrictions stipulate that resources be maintained permanently but permit Oklahoma Secondary Schools Activities Association to expend the income generated in accordance with the provisions of the agreements. The Association has no permanently restricted net assets as of June 30, 2014.

Revenue and Revenue Recognition

Revenue is recognized when earned. Officials' registration payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Receivables

Receivables consist of amounts due from corporate sponsorships and royalty agreements and are non-interest bearing. At June 30, 2014, management considered all receivables to be fully collectible; therefore, no allowance was considered necessary.

Donated Services and In-Kind Contributions

It is the Association's policy to record non-cash items and in-kind gifts at their fair value on the date they are received.

Volunteers contribute significant amounts of time to the Association's program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Oklahoma Secondary Schools Activities Association records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2014.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Association manages deposit concentration risk by placing cash, mutual funds, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in mutual funds. To date, Oklahoma Secondary Schools Activities Association has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable is considered to be limited due to long-standing relationships with those companies and subsequent collection of those accounts.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for Oklahoma Secondary Schools Activities Association.

Income tax status

The Association has been ruled tax exempt by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Association does not believe it has engaged in any activity that would result in an uncertain tax position. As a result management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Tax statutes dictate that tax returns filed in any previous three reporting periods remain open to federal or state examination. Currently there are no open examinations with either the Internal Revenue Service or state taxing authorities.

Subsequent Events

Oklahoma Secondary Schools Activities Association has evaluated subsequent events through October 6, 2014, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that Oklahoma Secondary Schools Activities Association can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, Oklahoma Secondary Schools Activities Association develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Oklahoma Secondary Schools Activities Association’s assessment of the quality, risk or liquidity profile of the asset or liability.

Assets measured at fair value on a recurring basis consist of mutual funds held by the Association. Mutual funds are valued based on quoted market prices from active markets which the Association has access. Certificates of deposit are not listed below as such amounts are held at cost.

The following table summarizes the valuation of the Association’s assets by fair value hierarchy levels as of June 30, 2014:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds	\$ 157,402	\$ 157,402	\$ -	\$ -
Total investments	\$ 157,402	\$ 157,402	\$ -	\$ -

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2014:

Interest and dividends	\$ 14,836
Net realized and unrealized gain	25,210
Less investment management and custodial fees	(150)
	\$ 39,896

Note 4 - Retirement Plan

The Association has adopted a Simplified Employee Pension Plan (a “SEP”) to provide benefits to all eligible employees. All Association employees who have been employed for six months and who have reached twenty-one years of age are eligible participants; however, the employer contribution is discretionary. Employee contributions to these accounts are not permitted. The Associations’ contribution for the year ended June 30, 2014 was \$178,463.

Note 5 - Litigation Exposure

The Association is responsible for establishing, monitoring and enforcing the guidelines for participation as approved by its membership. At times the Association is named in litigation challenging the Association's ruling and seeking monetary damages and attorney costs. The Association maintains insurance for potential losses with a deductible of \$50,000 per occurrence at June 30, 2014. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Association at June 30, 2014.



Supplementary Information
June 30, 2014 and 2013

Oklahoma Secondary Schools Activities Association

Oklahoma Secondary Schools Activities Association
Detailed Activity Schedule
Year Ended June 30, 2014

	Site Revenue/ Expenditures	Other Revenue/ Expenditures	Total
Basketball			
Revenue	\$ 1,777,735	\$ 37,840	\$ 1,815,575
Expenditures	1,175,029	36,970	1,211,999
Net	<u>602,706</u>	<u>870</u>	<u>603,576</u>
Football			
Revenue	880,750	13,720	894,470
Expenditures	593,367	22,635	616,002
Net	<u>287,383</u>	<u>(8,915)</u>	<u>278,468</u>
Music			
Revenue	330,533	12,440	342,973
Expenditures	301,813	8,917	310,730
Net	<u>28,720</u>	<u>3,523</u>	<u>32,243</u>
Softball			
Revenue	197,723	21,780	219,503
Expenditures	141,430	14,721	156,151
Net	<u>56,293</u>	<u>7,059</u>	<u>63,352</u>
Baseball			
Revenue	240,880	16,080	256,960
Expenditures	189,143	13,782	202,925
Net	<u>51,737</u>	<u>2,298</u>	<u>54,035</u>
Track			
Revenue	97,445	56,400	153,845
Expenditures	112,761	5,268	118,029
Net	<u>(15,316)</u>	<u>51,132</u>	<u>35,816</u>
Speech			
Revenue	23,735	6,560	30,295
Expenditures	33,043	-	33,043
Net	<u>(9,308)</u>	<u>6,560</u>	<u>(2,748)</u>
Wrestling			
Revenue	135,240	10,290	145,530
Expenditures	104,569	8,176	112,745
Net	<u>30,671</u>	<u>2,114</u>	<u>32,785</u>

Oklahoma Secondary Schools Activities Association
Detailed Activity Schedule
Year Ended June 30, 2014

	Site Revenue/ Expenditures	Other Revenue/ Expenditures	Total
Cheerleading			
Revenue	104,645	8,250	112,895
Expenditures	41,557	1,924	43,481
Net	<u>63,088</u>	<u>6,326</u>	<u>69,414</u>
Soccer			
Revenue	126,695	9,640	136,335
Expenditures	57,513	2,455	59,968
Net	<u>69,182</u>	<u>7,185</u>	<u>76,367</u>
Golf			
Revenue	-	72,750	72,750
Expenditures	50,865	131	50,996
Net	<u>(50,865)</u>	<u>72,619</u>	<u>21,754</u>
Swimming and Diving			
Revenue	32,105	4,920	37,025
Expenditures	25,402	775	26,177
Net	<u>6,703</u>	<u>4,145</u>	<u>10,848</u>
Tennis			
Revenue	27,125	8,720	35,845
Expenditures	29,232	106	29,338
Net	<u>(2,107)</u>	<u>8,614</u>	<u>6,507</u>
Cross Country			
Revenue	36,375	19,960	56,335
Expenditures	38,954	196	39,150
Net	<u>(2,579)</u>	<u>19,764</u>	<u>17,185</u>
Volleyball			
Revenue	21,850	5,000	26,850
Expenditures	20,177	3,313	23,490
Net	<u>1,673</u>	<u>1,687</u>	<u>3,360</u>
Academic			
Revenue	2,275	27,975	30,250
Expenditures	48,335	-	48,335
Net	<u>(46,060)</u>	<u>27,975</u>	<u>(18,085)</u>

Oklahoma Secondary Schools Activities Association
Detailed Activity Schedule
Year Ended June 30, 2014

	<u>Site Revenue/ Expenditures</u>	<u>Other Revenue/ Expenditures</u>	<u>Total</u>
Other			
Revenue	-	-	-
Expenditures	33,638	27,783	61,421
Net	<u>(33,638)</u>	<u>(27,783)</u>	<u>(61,421)</u>
Totals			
Revenue	4,035,111	332,325	4,367,436
Expenditures	2,996,828	147,152	3,143,980
Net	<u>\$ 1,038,283</u>	<u>\$ 185,173</u>	<u>\$ 1,223,456</u>



CPAs & BUSINESS ADVISORS

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Oklahoma Secondary Schools Activities Association
Oklahoma City, 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 financial statements of the Oklahoma Secondary Schools Activities Association (the Association) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Oklahoma Secondary Schools Activities Association’s basic financial statements, and have issued our report thereon dated October 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 yet been identified. We did identify one deficiency in internal control, described below, that we consider to be a significant deficiency.

Finding 2014-001: Preparation of Financial Statements

Criteria:	<p>Effective for the year ended June 30, 2014, Oklahoma Statute Title 70 Section 27-103 (also known as the Oklahoma Extracurricular Activities Accountability Act) requires the Association to follow Oklahoma Public School Audit Law. Such law requires that the Association prepare its financial statements in accordance with generally accepted accounting principles.</p> <p>The development and implementation of a year-end financial reporting control system is the responsibility of the Association's management. This process includes the preparation of financial statements and footnotes using the basis of accounting as required for the Association. The auditor should not be part of the Association's financial reporting control system.</p>
Condition:	<p>The Association does not have a year-end financial reporting control system in place to prepare the financial statements and related footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP). Prior to Fiscal Year 2014, the financial statements and notes to the financial statements were prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The client prepared all necessary entries to record the financial statements in accordance with GAAP but significant edits to the notes to the financial statements were considered necessary.</p>
Cause:	<p>The Association implemented a system but the process was not effective in identifying all the necessary disclosures in accordance with generally accepted accounting principles. The system used by the Association was the preparation of the notes to the financial statements under the modified cash basis of accounting which was appropriate until fiscal year 2014.</p>
Context:	<p>The Association's financial statements were properly adjusted to GAAP, but required GAAP disclosures were necessary and required assistance from the auditor.</p>
Effect:	<p>The notes to the financial statements were prepared and reviewed by the auditing firm in order to be compliant with the Oklahoma Extracurricular Activities Accountability Act.</p>
Recommendation:	<p>The Board of Directors should continue to evaluate and weigh the costs and benefits of developing and implementing a year-end financial reporting system. The year-end financial reporting process should include procedures to identify all required financial statement disclosures.</p>
Response:	<p>Management of the Association has previously presented the financial statements and notes to those financial statements under the modified cash basis of accounting and needed additional guidance from the auditors in this first year of GAAP presentation as required by the new law. Going forward, we anticipate that the financial statements and related notes will be prepared by internal staff using GAAP and will alleviate this finding in future years.</p>

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oklahoma Secondary Schools Activities Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's Response to Finding

The Association's response to the finding identified in our audit is described above. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Oklahoma City, Oklahoma
October 6, 2014