

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

FINANCIAL STATEMENTS
with
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2014

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Education
Altus Independent School District No. 018
Jackson County, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements – regulatory basis of Altus Independent School District No. 018, Jackson County, Oklahoma, as of and for the year ended June 30, 2014 and the related notes to financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 of material misstatement.

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

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

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

As described more fully in Note 1, Altus Independent School District No. 018 prepares its financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of

Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of American, although not reasonably determinable are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Altus Independent School District No. 018, as of June 30, 2014, or the results of its operations for the year then ended. Further, Altus Independent School District No. 018, has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed assets account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma Department of Education. The amounts that should be recorded in the general fixed assets 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 balances arising from regulatory basis transactions of each fund type and account group of Altus Independent School District No. 018 as of June 30, 2014, and the revenues collected and expenditures paid 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 an opinion 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 required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* also is not a required part of the basic financial statements.

The Combining Statements – regulatory basis and the schedule 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 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 December 5, 2014, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Oklahoma City, Oklahoma
December 5, 2014

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULARY BASIS
 JUNE 30, 2014

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE		Total - Memorandum Only
	General	Co-op	Special Revenue	Student Activity		
ASSETS						
Cash and cash equivalents	\$ 4,089,234	\$ -	\$ 3,790,494	\$ 372,704	\$	\$ 8,252,432
Investments	-	-	-	-	-	-
Total assets and other debits	<u>\$ 4,089,234</u>	<u>\$ -</u>	<u>\$ 3,790,494</u>	<u>\$ 372,704</u>	<u>\$</u>	<u>\$ 8,252,432</u>
LIABILITIES AND FUND BALANCES						
Reserve for encumbrances	\$ 29,940	\$ -	\$ 1,218,605	\$ -	\$	\$ 1,248,545
Due to student groups	-	-	-	372,704		372,704
Total liabilities	<u>29,940</u>	<u>-</u>	<u>1,218,605</u>	<u>372,704</u>	<u></u>	<u>1,621,249</u>
Fund balances	4,059,294	-	2,571,889	-		6,631,183
Total liabilities and fund balances	<u>\$ 4,089,234</u>	<u>\$ -</u>	<u>\$ 3,790,494</u>	<u>\$ 372,704</u>	<u>\$</u>	<u>\$ 8,252,432</u>

The accompanying notes are an integral part of these financial statements.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Co-op	Special Revenue	Total - Memorandum Only
REVENUES COLLECTED				
Local sources	\$ 3,490,881	-	\$ 918,610	\$ 4,409,491
Intermediate sources	491,655	-	-	491,655
State sources	17,739,724	-	28,324	17,768,048
Federal sources	2,180,692	-	1,770,749	3,951,441
Nonrevenue	7,285	-	-	7,285
Total revenues collected	<u>23,910,237</u>	<u>-</u>	<u>2,717,683</u>	<u>26,620,635</u>
EXPENDITURES PAID				
Instruction	16,660,803	-	-	16,660,803
Support services	7,991,673	-	351,977	8,343,650
Non-instruction services	9,387	34,930	1,793,392	1,837,709
Facilities acquisition	-	-	1,246,416	1,246,416
Other outlays	177,569	-	2,634	180,203
Repayments	1,932	-	-	1,932
Total expenditures paid	<u>24,841,364</u>	<u>34,930</u>	<u>3,394,419</u>	<u>28,270,713</u>
Excess (deficiency) of revenues collected over (under) expenditures paid	(931,127)	(34,930)	(676,736)	(1,642,793)
FUND BALANCES, beginning	5,024,510	-	3,247,122	8,271,632
Stopped checks (warrants)	801	-	1,502	2,303
Cancelled encumbrances	40	-	1	41
Fund transfers	(34,930)	34,930	-	-
FUND BALANCES, ending	<u>\$ 4,059,294</u>	<u>\$ -</u>	<u>\$ 2,571,889</u>	<u>\$ 6,631,183</u>

The accompanying notes are an integral part of these financial statements.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES
REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund		Variance	Special Revenue Funds	
	Budget Original and Final	Actual		Budget Original and Final	Actual
Beginning fund balances	\$ 5,024,510	\$ 5,024,510	\$ -	\$ 3,247,122	\$ -
Revenues collected					
Local sources	4,035,335	3,490,881	(544,454)	918,610	(63,671)
Intermediate sources	455,000	491,655	36,655	-	-
State sources	17,203,240	17,739,724	536,484	26,000	2,324
Federal sources	1,697,000	2,180,692	483,692	1,100,000	670,749
Nonrevenue	-	7,285	7,285	-	-
Total revenues collected	23,390,575	23,910,237	519,662	2,108,281	609,402
Expenditures paid					
Instruction	17,889,660	16,660,803	1,228,857	-	-
Support Services	10,463,625	7,991,673	2,471,952	349,622	(2,355)
Non-Instructional services	-	9,387	(9,387)	1,959,015	165,623
Facilities acquisition and construction	-	-	-	-	(1,246,416)
Other outlays	61,800	177,569	(115,769)	3,046,766	3,044,132
Repayments	-	1,932	(1,932)	-	-
Total expenditures paid	28,415,085	24,841,364	3,573,721	5,355,403	1,960,984
Excess of revenues collected and beginning fund over expenditures paid	\$ -	\$ 4,093,383	\$ 4,093,383	\$ -	\$ 2,570,386
Stopped checks (warrants)		801		1,502	
Canceled encumbrances		40		1	
Fund transfers		(34,930)		-	
Ending fund balances		\$ 4,059,294		\$ 2,571,889	

The accompanying notes are an integral part of these financial statements.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies

The financial statements of the Altus Independent School District No. 018 (“the District”) have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma’s support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the district.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic — but not the only — criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies, (continued)

B. Fund Accounting and Description of Funds

The District used funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, trust and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

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

General Fund – The general fund is used to account for all financial transactions except those that are required to be accounted for in another fund. Major revenue sources include state funding passed through the Oklahoma State Department of Education and various federal grants. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs, building maintenance and school construction. The general fund includes federal restricted monies that must be expended for specific programs.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual's contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Special Revenue Funds – Special revenue funds for the District include the building and child nutrition funds.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

Child Nutrition Fund -- The child nutrition fund accounts for revenues collected, including federal and state reimbursements for food service for children's programs, for meals served, and associated costs of the programs.

Debt Service Fund -- The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District does not have a debt service fund.

Trust Fund Types

Trust funds are used to account for assets held in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds.

Gifts and Grants Fund - The gifts and grants fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. The fund is used to promote the general welfare of the District. Also, endowment funds allow for income derived from such funds to be expended, but the principle must remain intact. The District does not have any trust funds.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies, (continued)

Account Group

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

General Long-Term Debt Account Group – This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. The District does not have a general long-term debt account group.

General Fixed Asset Account Group – This account group is used to account for property, plant and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only — Total Column

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

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management’s Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34. The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies, (continued)

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget that must be submitted to the Board of Education by October 1 for the fiscal year beginning the following July 1. The formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

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 and trust funds of the District.

E. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents – The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash.

Inventories – The value of consumable inventories at June 30, 2014, is not material to the financial statements.

Fixed Assets and Property, Plant & Equipment – Fixed assets are recorded by the District as capital outlay expenditures in each fund. The District does not have the information necessary to present the cost of fixed assets. Thus, the General Fixed Asset Account Group is not presented.

Compensated Absences – the District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes. The District does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies (continued)

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

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources, is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

F. Revenue, Expenses and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the district for its use. One such revenue is property tax revenue, as described below. Other local sources include such items as interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes 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 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Intermediate Revenues – Revenue from intermediate sources 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.

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70,

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 -- Summary of Significant Accounting Policies (continued)

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.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operation 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 entity.

An 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.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures – Instruction includes the activities dealing directly with the interaction between teachers and students. It also may include teaching through some other approved medium such as television, radio, telephone, correspondence or other educational and technology devices.

Support Services Expenditures – Support services provide administrative, technical and logistical support to facilitate and enhance instruction.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 — Summary of Significant Accounting Policies (continued)

Other Outlays/Uses Expenditures – Other outlays consist of items not properly classified as expenditures, but still requiring budgetary or accounting control. Other uses include private gift and endowment scholarships, outside revenue sources providing student aid and staff awards and repayment expenditures.

Interfund Transfers – During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchases assets and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers.

NOTE 2 — Cash and Investments

The District's investment policies are governed by state statute. 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 saving 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.

The District's cash and cash equivalents include certificates of deposit at June 30, 2014. The District adopted a written management and investment policy that follows state statute and can be viewed in its entirety at the District's administrative offices.

Custodial Credit Risk – At June 30, 2014, the District held deposits of approximately \$8,252,431 in financial institutions, which was comprised of money market accounts \$8,102,431 and certificates of deposit \$150,000. The District's cash deposits and certificates of deposit at June 30, 2014, were completely insured or collateralized by Federal Depository Insurance (FDIC), securities held by its agent in the District's name and by irrevocable letters of credit.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. 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.

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: \$150,000 in certificates of deposits and \$8,102,431 in money market funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 — Employee Retirement System

The District participates in the state-administered Teachers' Retirement Systems of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date of the first contribution made to the System. The System is administered by a board of trustees, which acts as a fiduciary for investing the funds and governing the administration of the System.

The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, Post Office Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

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

The District is required to contribute 9.50% of applicable compensation for the year ended June 30, 2014. As a fringe benefit for participating members the District contributes 7.0% on all applicable compensation. For non-participating employees this benefit is paid as taxable compensation. Participating members are required to contribute 7.0% on all non-contract compensation. The District pays the employers' share and the federal match.

The compensation for employees covered by the System for the year ended June 30, 2014, was \$14,332,811 the District's total compensation was \$22,091,728. Total contributions made during the year ended June 30, 2014, amounted to \$2,393,915, of which \$1,498,743 was contributed by the District, \$794,567 by the District as a benefit for employees, \$20,941 by the District's employees, and \$79,662 federal match. These contributions represented 10.46%, 5.54%, .15% and .56% respectively, of covered compensation.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 — Employee Retirement System (continued)

The District's contributions to the System for the years ending June 30, 2013 and 2012 were \$2,542,378 and \$2,433,080 respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation, in millions, dated June 30, 2014, was \$7,206.6.

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teachers' Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

NOTE 4 — Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, employees' health and life and natural disasters for which the District carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

The District 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 District reports the required contribution to the pool, net of any 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 District's losses for the last five years. OSAG provides coverage in excess of the loss fund so the District's liability for

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 — Risk Management - continued

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.

NOTE 5 — Contingencies and Commitments

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

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments against the District.

NOTE 6 — Subsequent Events

Management has evaluated all subsequent events through December 5, 2014, the date the financial statements were available to be issued.

NOTE 7 — Surety Bonds

The District has a public official position schedule bond with Liberty Mutual bond number 32S108638(EX24419), renewable each year on January 1. See the Schedule of Statutory, Fidelity and Honesty Bonds on page 32 for positions covered.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2014

ASSETS	<u>Building</u>	<u>Child Nutrition</u>	<u>Total Special Revenue Funds</u>
Cash and cash equivalents	\$ 3,516,796	\$ 273,698	\$ 3,790,494
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,516,796</u>	<u>\$ 273,698</u>	<u>\$ 3,790,494</u>
LIABILITIES AND FUND BALANCES			
Reserve for encumbrances	\$ 1,218,605	\$ -	\$ 1,218,605
Total liabilities	<u>1,218,605</u>	<u>-</u>	<u>1,218,605</u>
Fund balances	<u>2,298,191</u>	<u>273,698</u>	<u>2,571,889</u>
Total liabilities and fund balances	<u>\$ 3,516,796</u>	<u>\$ 273,698</u>	<u>\$ 3,790,494</u>

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

REVENUES COLLECTED	<u>Building</u>	<u>Child Nutrition</u>	<u>Total - Special Revenue Funds</u>
Local sources	\$ 494,763	\$ 423,847	\$ 918,610
Intermediate sources	-	-	-
State sources	1,317	27,007	28,324
Federal sources	536,396	1,234,353	1,770,749
Total revenues collected	<u>1,032,476</u>	<u>1,685,207</u>	<u>2,717,683</u>
EXPENDITURES PAID			
Instruction	-	-	-
Support services	351,977	-	351,977
Non-instruction services	-	1,793,392	1,793,392
Facilities acquisition	1,246,416	-	1,246,416
Other outlays	-	2,634	2,634
Total expenditures paid	<u>1,598,393</u>	<u>1,796,026</u>	<u>3,394,419</u>
Excess (deficiency) of revenues collected over (under) expenditures paid	(565,917)	(110,819)	(676,736)
FUND BALANCES, beginning	2,864,107	383,015	3,247,122
Estopped checks (warrants)	-	1,502	1,502
Cancelled encumbrances	1	-	1
Fund transfers	-	-	-
FUND BALANCES, ending	<u>\$ 2,298,191</u>	<u>\$ 273,698</u>	<u>\$ 2,571,889</u>

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED SPECIAL REVENUE FUND TYPES
 REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds					
	Building Fund		Child Nutrition Fund			
	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance
Beginning fund balances	\$ 2,864,107	\$ 2,864,107	\$ -	\$ 383,015	\$ 383,015	\$ -
Revenues collected						
Local sources	532,281	494,763	(37,518)	450,000	423,847	(26,153)
Intermediate sources	-	-	-	-	-	-
State sources	-	1,317	1,317	26,000	27,007	1,007
Federal sources	-	536,396	536,396	1,100,000	1,234,353	134,353
Total revenues collected	532,281	1,032,476	500,195	1,576,000	1,685,207	109,207
Expenditures paid						
Instruction	-	-	-	-	-	-
Support Services	349,622	351,977	(2,355)	-	-	-
Non-Instructional services	-	-	-	1,959,015	1,793,392	165,623
Facilities acquisition	3,046,766	1,246,416	1,800,350	-	-	-
Other outlays	-	-	-	-	2,634	(2,634)
Total expenditures paid	3,396,388	1,598,393	1,797,995	1,959,015	1,796,026	162,989
Excess of revenues collected and beginning fund over expenditures paid	\$ -	2,298,190	\$ 2,298,190	\$ -	272,196	\$ 272,196
Estopped checks (warrants)	-	-	-	-	1,502	-
Canceled encumbrances	-	1	-	-	-	-
Fund Transfers	-	-	-	-	-	-
Ending fund balances	\$ 2,298,191	\$ 2,298,191	\$ -	\$ -	\$ 273,698	\$ -

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINING STATEMENT OF CHANGES IN CASH BALANCES - ACTIVITY FUNDS
 REGULATORY BASIS
 JULY 1, 2013 TO JUNE 30, 2014

	Balance 7/1/13	Receipts	Disbursements	Balance 6/30/14
All School Prod.	\$ 10,420	\$ 21,369	\$ 15,351	\$ 16,438
Athletics	7,575	83,771	81,520	9,826
AHS Bulldog Academy	1,292	1,188	1,268	1,212
Community Service	3,655	9,831	3,893	9,593
AHS Cheerleader	11,091	34,104	30,186	15,009
AHS Debate Club	360	-	-	360
AHS Dance Team	5,090	36,094	34,740	6,444
ROTC	1,037	9,580	9,012	1,605
Altus Teens Interact	843	939	936	846
AHS Cheer Parents	3,756	4,595	1,274	7,077
AHS Football Camp	1,035	6,860	4,778	3,117
FFA	20,860	74,472	79,794	15,538
AHS Library	-	9	-	9
FCCLA	3,395	6,671	5,197	4,869
AHS Leo Club	172	-	-	172
AHS Activity	2,395	24,204	19,849	6,750
AHS Band	1,245	3,576	4,029	792
AHS Baseball	-	9,723	9,348	375
ACTS Scholarship	1,551	-	-	1,551
AHS Special Education	4,840	11,472	6,601	9,711
AHS Girls Basketball	1,004	1,620	1,175	1,449
AHS Music	5,743	19,615	22,957	2,401
AHS Boys Basketball	35	-	-	35
AHS Competitive Theatre	-	1,963	1,916	47
AHS Bulldog 5K PTP	-	2,798	2,356	442
AJH Student Council	400	443	522	321
AIS Library	3,047	8,729	9,818	1,958
AIS Activity	6,248	11,932	14,241	3,939
Yearbook/Public.	43,864	18,105	10,592	51,377
Rivers Activity	6,478	20,030	21,952	4,556
ROOS. Activity	25,707	24,776	16,954	33,529
AJH Library	714	3,754	3,392	1,076
AJH Activity	3,112	25,143	24,065	4,190
AJH Band	4,626	27,927	26,290	6,263
Leo Club	1,072	597	790	879
AJH PAWS	1,276	7,504	7,571	1,209
AJH Vocal Music	2,870	18,300	16,649	4,521
AJH Cheerleaders	825	21,479	21,368	936
AJH Basketball Camps	541	1,163	575	1,129
Student Council	1,434	-	44	1,390
Sunset Activity	3,095	11,829	10,441	4,483
Supply	-	8,658	8,658	-
VOC-Scholarship	7,078	-	-	7,078
Professional Dev.	2,898	3,094	3,021	2,971
Washington Booster Org	8,849	9,124	8,782	9,191
W.R. Activity	4,592	14,307	11,862	7,037
Subtotal	\$ 216,120	\$ 601,348	\$ 553,767	\$ 263,701

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 COMBINING STATEMENT OF CHANGES IN CASH BALANCES - ACTIVITY FUNDS
 REGULATORY BASIS
 JULY 1, 2013 TO JUNE 30, 2014

	Balance 7/1/13	Receipts	Disbursements	Balance 6/30/14
AHS Color Guard	118	6,941	5,332	1,727
AHS Class of 2015	-	18,685	10,252	8,433
AHS Class of 2016	-	4,358	1,511	2,847
AHS Class of 2017	-	6,459	2,317	4,142
TECH/Safety Special	-	86,661	86,661	-
AIS Band	3,923	35,676	34,651	4,948
AJH Yearbook	1,704	8,612	9,363	953
Courtesy Fund	343	809	727	425
Summer School Drivers Ed	-	13,500	13,500	-
Extended Day Care	98,862	141,210	200,626	39,446
Athletic Concession	1,384	29,305	26,251	4,438
FFA Concession	2,987	6,776	6,746	3,017
FFA Horticulture	1,544	437	1,661	320
Special Olympics	770	189	960	(1)
All Star Olympics	5,584	8,111	4,408	9,287
Elem. Library - Wash.	530	7,894	6,638	1,786
Creative Writing	329	-	-	329
All-Sports Discretionary	-	4,471	941	3,530
Athletic Donors	8,654	4,456	9,972	3,138
AHS Matmaids	162	2,500	2,044	618
All Sports Association	-	84,502	75,552	8,950
GED Testing	2,065	-	2,065	-
Eugene Field Parent Group	295	583	385	493
Open Doors	1,955	4,554	2,785	3,724
AHS Swimming	-	19,599	18,446	1,153
HS Girls Golf	792	2,190	764	2,218
AHS Wrestling	321	-	281	40
Altus Tennis Assoc	4,512	1,950	3,420	3,042
Subtotal	\$ 136,834	\$ 500,428	\$ 528,259	\$ 109,003
Subtotal Page 1	216,120	601,348	553,767	263,701
Total:	\$ 352,954	\$ 1,101,776	\$ 1,082,026	\$ 372,704

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Direct Programs		
P.L. 81-874 Impact Aid	84.041	\$ 636,396
Passed through State Department of Education		
Adult Basic Education	84.002	-
Title I - ECIA	84.010	893,504
Title I - Migrant	84.011	46,112
Special Education	84.027	771,613
Special Education - Preschool (IDEA-B)	84.173	13,555
Title III	84.365	20,189
Title X - Homeless Children	84.196	7,471
Title II - Part A/ Training	84.367	130,211
Title II - Part B Math and Sci	84.366	35,918
Title VI - Part B	84.358	94,307
Passed through OK Department of Vocational & Technical Education		
Carl D. Perkins - Vocational Education	84.048	32,552
<u>U. S. Department of Health and Human Services</u>		
Passed through Oklahoma Health Care Authority		
Early Periodic Servicing and Diagnostic Treating Program	93.778	15,394
<u>U.S. Department of Agriculture</u>		
Passed through State Department of Education - Nutrition Cluster		
School Breakfast	10.553	426,339
Nutritional School Lunch	10.555	914,851
Summer Food Program	10.559	8,188
Passed through State Department of Human Services - nonmonetary		
Commodities	10.550	95,500
<u>U.S. Department of Defense</u>		
Direct Programs		
Air Force ROTC	12.000	56,522
TOTAL FEDERAL AWARDS		\$ 4,198,622

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58TH STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272

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

Independent Auditors' Report

Board of Education
Altus Independent School District No. 018
Jackson 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 fund type and account group financial statements – regulatory basis within the combined financial statements of the Altus Independent School District No. 018 as of June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2014, which was adverse with the respect to 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 of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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
December 5, 2014

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58TH STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROLS OVER COMPLIANCE BY OMB CIRCULAR A-133

Independent Auditors' Report

Board of Education
Altus Independent School District No. 018
Jackson County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Altus Independent School District No. 018 (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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Altus Independent School District No. 018, complied, in all material respects, with the types of 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.

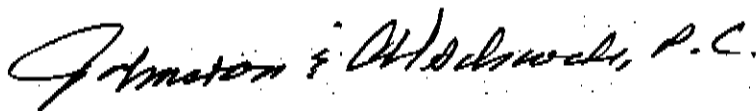
Report on Internal Control Over Compliance

Management of Altus Independent School District No. 018 (the District) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Oklahoma City, Oklahoma
December 5, 2014

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: *adverse opinion*

Internal control over financial reporting:

Material weakness(es) identified:	_____yes	___ <u>X</u> ___no
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____yes	___ <u>X</u> ___none reported
Noncompliance material to financial statements noted?	_____yes	___ <u>X</u> ___no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____yes	___ <u>X</u> ___no
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____yes	___ <u>X</u> ___none reported

Type of auditors’ report issued on compliance for major programs: *unqualified*.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____yes	___ <u>X</u> ___no
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Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.041	Impact AID
84.367	Title II-Part A/Training
10.553; 10.555; 10.559	Nutrition Cluster

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes ___X___no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Year Audit Findings

None

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2014

Liberty Mutual – Public Official Position Schedule Bond 32S108638(EX24419) yearly renewal on January 1, 2014. Following are positions and amounts in force as of June 30, 2014:

Superintendent	\$100,000
Treasurer	\$100,000
Assistant Treasurer	\$ 10,000
Assistant Superintendent	\$ 5,000
Encumbrance Clerk	\$ 5,000
Fund Clerk	\$ 5,000
Fund Secretary	\$ 5,000
Clerk	\$ 5,000
Payroll Clerk	\$ 5,000
Principals	\$ 5,000
Assistant Principal-HS	\$ 15,000
Assistant Principal	\$ 5,000
Athletic Director	\$ 5,000
Secretary-High School	\$ 5,000
Secretary	\$ 2,000

Janet Barresi
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT
ALTUS INDEPENDENT SCHOOL DISTRICT NO.018
Oklahoma County, Oklahoma
June 30, 2014

The annual independent audit for Altus Independent School District NO. 018, was presented to the Board of Education in an open board meeting on December 8, 2014, by Johnston & Ahlschwede, P.C.

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 acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days of its presentation, as stated in 70 O.S. Section 22-108:

“The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit.”

Superintendent of School

Board of Education Member

Board of Education President

Board of Education Member

Board of Education Vice President

Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this ____ day of _____, _____.

My Commission expires on _____ day of _____, _____.

Notary Public

Affix Notary Seal