

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

FINANCIAL STATEMENTS
with
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Statement of Net Assets.....	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	11
Statement of Revenues Expenditures, and Changes In Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities	13
Notes to Financial Statements.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	23
Supplemental Schedules	
Schedule of School Activity Funds.....	24
Schedule of Expenditures of Federal Awards.....	26
Notes to Schedule of Expenditures of Federal Awards.....	27
Internal Control and Compliance Reports	
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>	28
Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	30
Schedule of Findings and Questioned Costs.....	32
Schedule of Accountants' Professional Liability Insurance Affidavit	33
Schedule of Statutory, Fidelity and Honesty Bonds.....	34
Audit Acknowledgement.....	35

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altus Independent School District No. 018 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

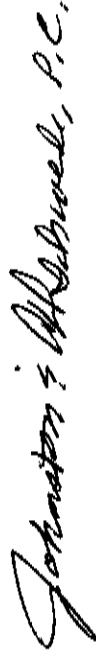
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Altus Independent School District No. 018, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Altus Independent School District No 018's financial statements as a whole. The schedule of school activity funds is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of school activity funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Oklahoma City, Oklahoma
March 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

This section of Altus Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status declined from the prior year.
- Overall revenues were \$ 28.4 million and overall expenses were \$ 29.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the Altus Independent School District No. 18's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* represents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include regular and special education, transportation, and administration. The business-type activities of the District include the child nutrition program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spending resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, federal and state grants, and state formula aid finance most of these activities.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund, cafeteria fund and activity fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, building fund and child nutrition fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements begin on page 14 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparison schedules for the general, building, and child nutrition funds. Required supplementary information can be found on pages 23 through 27 of this report.

Government-Wide Financial Analysis

Net Assets. Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Altus Public School's Net Assets			
(In millions of dollars)			
	<u>2012</u>		<u>2011</u>
Current and Other Assets	\$ 12.64	\$	13.51
Capital assets	<u>23.40</u>		<u>19.58</u>
Total assets	<u>36.04</u>		<u>33.09</u>
Long-term debt outstanding	.11		.07
Other liabilities	<u>.11</u>		<u>.11</u>
Total liabilities	<u>.22</u>		<u>.18</u>
Net assets:			
Invested in capital assets, net of debt	23.40		19.59
Restricted	4.84		5.12
Unrestricted	<u>7.58</u>		<u>8.20</u>
Total net assets	<u>\$ 35.82</u>		<u>\$ 32.91</u>

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Change in Net Assets. The District's net assets for governmental activities increased by \$2.91 million during the current fiscal year.

Changes in Altus Public School's Net Assets
(In millions of dollars)

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$.47	\$.46
Federal and State grants	4.83	7.20
Capital assets donated	2.90	11.18
General revenues		
Property taxes	3.59	3.43
Other taxes	2.25	2.21
Federal entitlement	.80	1.20
State entitlement	16.26	16.16
Investment earning	<u>.08</u>	<u>.15</u>
Total revenues	<u>31.18</u>	<u>41.99</u>
Expenses		
Program expenses		
Instruction	\$ 16.78	\$ 17.81
Support services	8.23	8.12
Non-instruction	1.56	1.60
Facilities-repairs	.16	.59
Other outlays	.95	.91
Repayments	.01	.01
Depreciation-unallocated	<u>.58</u>	<u>.53</u>
Total expenses	<u>28.27</u>	<u>29.57</u>
Increase in net assets	<u>\$ 2.91</u>	<u>\$ 12.42</u>

Financial Analysis of the Government's Funds

As noted earlier, Altus Public School District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$12.52 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

As in the fiscal year 2011 the district was not fully funded from the state for fiscal year 2012. The State of Oklahoma continues to experience a general revenue shortfall and continues to make reductions to state funded agencies including school districts. The district anticipated the continued decline in state revenues and made appropriate plans for some decrease in revenues. In addition the district continued the pattern of declining student enrollment so personnel decisions were made with caution to avoid unnecessary recurring payroll expenses.

Although the District's final budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show a slight increase in fund balance.

Actual revenues were \$ 3.21 million higher than expected, due largely to some state and federal aid that was restored but not anticipated.

The actual expenditures were \$7.68 million below budget, due primarily to expenditure budgets that remained unspent at June 30, 2012, and a decrease in payroll cost for 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

During 2012 the District invested in capital assets, including upgrades to technology infrastructure, continued renovations for American Disabilities Act (ADA) building compliance, fire/burglar alarm system upgrades, building infrastructure (sewer lines, natural gas lines, water lines, electrical, etc.), standing seam metal roofs at Altus Intermediate School and playground equipment at Rivers, Roosevelt and Sunset. Also the construction of new classrooms and renovation of Altus High School was completed at the end of June 2012.

The District's fiscal year 2013 capital projects will be principally in the following areas:

- Continue fire/burglar alarm system upgrades
- Additional electrical and HVAC system upgrades
- Natural gas and water line replacement

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

- Continue renovation of areas identified requiring ADA building compliance
- Roof repairs/replacement
- Technology infrastructure upgrades
- Renovation of additional facilities at Altus High School (expense in excess of sales tax revenues)

LONG-TERM DEBT

At year-end the District had no long-term debt outstanding through the bond issuance process.

While the district has discussed long-term debt through a bond issue to fund building improvements, there are no plans to obligate the district in the near future. The planned building improvements are within the district's available funds and the inter-local cooperative agreement with the City of Altus pertaining the use of certain sales tax proceeds.

The district continues to benefit from the City of Altus capital improvement program approved by the voters in Altus. Sales tax revenue has provided the funding for the estimated \$17 million addition, remodeling and upgrading of Altus High School. Architectural and site evaluation work began in early 2009. During the 2010-2011 school year construction on the new east wing and the north wing renovation were completed and occupied at the end of June 2011. Renovation was started on the west and south wings during the summer of 2011 and was completed and occupied at the end of June 2012. Some remaining sales tax revenue is available for projects yet to be determined at Altus High School during 2012-2013.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has consistently maintained a strong year-end fund balance. The Board of Education and administration of Altus Public Schools is confident that with careful financial planning and prudent fiscal management, we can continue to provide a quality education for our students and a secure financial future for the Altus Public School District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Offices, Altus Public School District, 219 North Lee, Altus, Oklahoma, 73521.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,446,553
Property taxes receivable (net)	43,347
Due from other governments	1,130,434
Other account receivables	14,139
Non-depreciated capital assets	15,541,053
Depreciated capital assets, net of depreciation	<u>7,863,075</u>
Total Assets	<u>36,038,601</u>
LIABILITIES	
Accounts payable and other current liabilities	112,206
Due within one year	-
Due beyond one year	<u>103,676</u>
Total Liabilities	<u>215,882</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,404,128
Restricted for:	
Building	3,943,529
Child Nutrition	546,526
School-based activities	352,988
Unrestricted	<u>7,575,548</u>
Total Net Assets	<u>\$ 35,822,719</u>

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

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 BALANCE SHEET - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund	Child Nutrition Fund	Activity Fund	Funds
ASSETS					
Cash and cash equivalents	\$ 6,798,044	\$ 3,860,961	\$ 434,560	\$ 352,988	\$ 11,446,553
Receivables:					
Property taxes, delinquent - net	37,931	5,416	-	-	43,347
Due from other governments	834,466	184,002	111,966	-	1,130,434
Other accounts receivables	14,139	-	-	-	14,139
Total assets	\$ 7,684,580	\$ 4,050,379	\$ 546,526	\$ 352,988	\$ 12,634,473
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	\$ 5,356	\$ 106,850	\$ -	\$ -	\$ 112,206
Deferred revenue	-	-	-	-	-
Total liabilities	5,356	106,850	-	-	112,206
Fund balances:					
Reserved for:					
Building	-	3,943,529	-	-	3,943,529
Child Nutrition	-	-	546,526	-	546,526
School based activities	-	-	-	352,988	352,988
Unreserved	7,679,224	-	-	-	7,679,224
Total fund balances	7,679,224	3,943,529	546,526	352,988	12,522,267
Total liabilities and fund balances	\$ 7,684,580	\$ 4,050,379	\$ 546,526	\$ 352,988	\$ 12,522,267
Amounts reported for governmental activities in the statement of net assets are different because					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.					
Cost of capital assets				\$ 38,560,180	
Accumulated depreciation				(15,156,052)	
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.					23,404,128
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities consist of -					
Capital lease obligations					
Accrued interest on long-term liabilities					\$ -
Compensated absences					(103,676)
Total net assets of governmental activities					\$ 35,822,719

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

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Child Nutrition Fund	Building Fund	Nutrition Fund	Activity Fund	Total Governmental Funds
REVENUES					
Local sources	\$ 3,357,102	\$ 532,009	\$ 469,367	\$ 903,945	\$ 5,262,423
Intermediate sources	451,745	-	-	-	451,745
State sources	18,114,319	2,004	28,478	-	18,144,801
Federal sources	2,530,306	803,445	1,162,658	-	4,496,409
Total revenues	<u>24,453,472</u>	<u>1,337,458</u>	<u>1,660,503</u>	<u>903,945</u>	<u>28,355,378</u>
EXPENDITURES					
Instruction	\$ 16,864,726	-	-	-	16,864,726
Support services	8,088,241	430,382	-	-	8,518,623
Non-instruction services	-	-	1,602,674	-	1,602,674
Facilities acquisition	11,886	1,237,055	-	-	1,248,941
Other outlays	44,196	-	440	906,220	950,856
Repayments	-	-	1,109	-	1,109
Total expenditures	<u>25,009,049</u>	<u>1,667,437</u>	<u>1,604,223</u>	<u>906,220</u>	<u>29,185,820</u>
Excess (deficiency) of revenues over (under) expenditures	(555,577)	(329,979)	56,280	(2,275)	(831,551)
FUND BALANCES, beginning	8,234,801	4,273,508	490,246	355,263	13,353,818
FUND BALANCES, ending	<u>\$ 7,679,224</u>	<u>\$ 3,943,529</u>	<u>\$ 546,526</u>	<u>\$ 352,988</u>	<u>\$ 12,522,267</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Organization

Altus Independent School District No. 018, Jackson County, Oklahoma (the District) is a corporate body for public purposes created under Title 70 of 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 Oklahoma State Department of Education, and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

NOTE 2 — Summary of Significant Accounting Policies

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to local government units.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments including special purpose governments such as school districts. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 160, 1989 (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District to prepare its financial statements is discussed below.

In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion for State and Local Governments*. This statement established new financial reporting requirements for state and local governments throughout the United States. This standard requires new information and restructures much of the information that governments have presented in the past. The District adopted the provisions of this statement effective July 1, 2002.

Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the District's activities.

A change in the fund financial statements to focus on the major funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 — Summary of Significant Accounting Policies (continued)

Reporting Entity – 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 Governmental Accounting Standards Board (GASB) Statement no. 14, The Financial Reporting Entity. The basic, but not 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 selection of governing authority, designation of management, 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 is no potential component units included in the District's reporting entity.

Government-wide and Fund Financial Statements – The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 — Summary of Significant Accounting Policies (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, interest, and grant revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

For the year ended June 30, 2012, the District reports the following:

Major Governmental Funds:

The general fund is the government's primary operating fund. The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, child nutrition programs, school construction. The general fund includes federal and state restricted monies that must be expended for specific programs.

The building fund consists 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.

The child nutrition fund accounts for revenues collected, including federal and state reimbursements from the school breakfast, national school lunch, and summer food service for children programs, for meals served, and associated costs of the program.

The school activity fund is used to account for monies collected principally through fund raising efforts of students and District-sponsored groups. The District's administrative staff is responsible, under the authority of the Board of Education, for collecting, disbursing, and accounting for these activity funds.

Inventories — Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the purchases method where materials and supplies are recorded as an expenditure immediately when purchased. There were no significant amounts of inventory on hand at year-end.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 — Summary of Significant Accounting Policies (continued)

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities were not recorded as revenue when received at fair value at the date of receipt nor as an expense when used. USDA food commodities are not reported in the governmental funds.

Capital Assets: Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Donated capital assets are recorded at estimated fair market value at date of donation. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

School Buildings	50 years
Portable Classrooms	20 years
Kitchen Equipment	20 years
Other Equipment	5 - 100 years
Licensed Vehicles	5 – 10 years

Compensated Absences: District employees earn sick leave starting the first day of the school year (or the first day of employment if after the school year begins). Sick leave is accrued at the beginning of each fiscal year at a rate of 10 days per year and is prorated for persons beginning employment after the school year begins. Unused sick leave is cumulative up to 120 days. Upon resignation or retirement, an employee who has worked continuously in the Altus School system for a period of four regular 180 day school terms or more, is eligible to be reimbursed for unused sick leave up to a maximum of 60 days at \$5 per day, providing he or she at this or her own written request terminated his or her contract with the Altus School system by the twenty-fifty of April and is completing the current school year and fulfilling their contractual obligation. Vacation days accrue after the completion of one full year. Vacation days may not be accumulated. At June 30, 2012 the District had an outstanding liability for unused sick, vacation, and personal leave totaling approximately \$103,676.

Budgets and Budgetary Accounting – The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This act requires that, within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body of the district. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Funds that included revenues and expenditures.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 — Summary of Significant Accounting Policies (continued)

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

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.

Property Tax Revenues – The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 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.

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2011 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because uncollectible amounts are considered insignificant.

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

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.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 — Summary of Significant Accounting Policies (continued)

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 programs 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.

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.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Fund Balance Reserves – The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation in future periods.

Restricted and Unrestricted Resources – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first.

NOTE 3 – 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, 2012. 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.

Deposits and Investments – The District's cash deposits and investments at June 30, 2012, were completely insured or collateralized by federal deposit insurance, securities held by its agent in the District's name and by irrevocable letters of credit.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 — 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, 2012. 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, 2012, was \$14,728,779 the District's total compensation was \$22,461,325. Total contributions made during the year ended June 30, 2012, amounted to \$2,433,080, of which \$1,503,726 was contributed by the District, \$821,563 by the District as a benefit for employees, \$22,986 by the District's employees, and \$84,805 federal match. These contributions represented 10.21%, 5.58%, .16% and .58% respectively, of covered compensation. The District's contributions to the System for the years ending June 30, 2011 and 2010 were \$2,550,189 and \$2,629,522 respectively.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 — Employee Retirement System (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Actuarial value of assets	\$ 10,190.5
Actuarial accrued liability – entry age method	<u>18,588.0</u>
Nonfunded actuarial accrued liability	<u>\$ 8,397.5</u>

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

Ten-year historical trend information is presented in the Teachers’ Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they become due.

NOTE 5 - Capital Assets

Capital assets consisted of the following at June 30, 2012:

Capital assets not being depreciated:		
Land	\$ 318,766	
Construction in progress	<u>15,222,287</u>	
Total capital assets not being depreciated	<u>15,541,053</u>	
Capital assets being depreciated:		
Buildings and building improvements	15,931,358	
Fences	71,910	
Parking lots	782,553	
Sidewalks	99,737	
Equipment under capital lease	816,161	
Cafeteria and other equipment	2,191,477	
Vehicles	<u>3,204,861</u>	
Total capital assets	<u>23,098,057</u>	
Less accumulated depreciation		<u>(15,234,982)</u>
Capital assets, net		<u>\$ 23,404,128</u>

Depreciation expense of \$581,084 for the year ended June 30, 2012 was unallocated.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 - Long-Term Liabilities

Long-term liabilities of the District consisted of the liability for the accrued compensated absences in the amount of \$103,676.

NOTE 7 - 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 and natural disasters for which the District carries commercial insurance.

NOTE 8 - 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.

As of June 30, 2012, the district had outstanding contracts of approximately \$94,083 for purchases.

NOTE 9 - Surety Bonds

The District has a public official position schedule bond with Liberty Mutual bond number 6662673-0000, renewable each year on January 1. See the Schedule of Statutory, Fidelity and Honesty Bonds on page 34 for positions covered.

NOTE 10 - Subsequent Events

Management has evaluated all subsequent events through March 6, 2013, the date the financial statements were available to be issued.

ALTIUS INDEPENDENT SCHOOL DISTRICT NO. 018
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

Special Revenue Funds

	General Fund		Building Fund		Child Nutrition Fund	
	Hudget	Actual	Hudget	Actual	Budget	Actual
	Original and Final	Variance	Original and Final	Variance	Original and Final	Variance
Beginning fund balances, budgetary basis	\$ 6,397,395	\$ 6,397,395	\$ 4,145,691	\$ 4,145,691	\$ 486,202	\$ 486,202
Revenues						
Local sources	3,586,224	3,350,534	450,311	533,089	425,000	469,367
Intermediate sources	430,000	450,429	-	-	-	-
State sources	16,897,940	18,238,486	-	1,695	26,000	28,478
Federal sources	2,087,768	3,364,893	-	619,913	1,000,000	1,054,736
Total revenues, budgetary basis	23,001,932	25,404,342	450,311	1,154,697	1,451,000	1,552,581
Expenditures						
Instruction	19,699,962	16,864,726	-	(2,835,236)	-	-
Support Services	9,647,016	8,088,241	468,000	(1,558,775)	(104,598)	-
Non-Instructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	12,066	4,128,002	1,278,088	(2,849,914)	-
Other outlays	52,349	44,196	-	(8,153)	-	440
Repayments	-	-	-	-	-	1,109
Total expenditures, budgetary basis	29,399,327	25,009,229	4,596,002	1,641,490	(2,954,512)	(332,979)
Excess of revenues and beginning fund over expenditures - budgetary basis	\$ -	\$ 6,792,508	\$ -	\$ 3,658,898	\$ 3,658,898	\$ 434,560
Cancelled encumbrances	180	-	1,130	-	-	-
Excess of revenues, stopped warrants, cancelled encumbrances and beginning fund balances over expenditures, Expenditures	6,792,688	6,792,688	3,660,028	3,660,028	434,560	434,560
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances						
Add: Ad valorem taxes receivable	37,931	37,931	5,416	5,416	-	-
Due from other governments	834,466	834,466	184,002	184,002	-	111,966
Other accounts receivables	14,139	-	94,083	-	-	-
Encumbrances reclassified as commitments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Ending fund balances	\$ 7,679,224	\$ 7,679,224	\$ 3,943,529	\$ 3,943,529	\$ 546,526	\$ 546,526

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF SCHOOL ACTIVITY FUNDS
 JULY 1, 2011 TO JUNE 30, 2012

	Balance 7/1/11	Receipts	Disbursements	Balance 6/30/12
	\$	\$	\$	\$
All School Prod.	5,845	16,401	13,617	8,629
Athletics	31,660	95,079	116,035	10,704
AHS Bulldog Academy	1,226	2,816	2,491	1,551
Community Service	5,389	6,224	5,956	5,657
Cheerleader	6,475	44,047	41,481	9,041
AHS Debate Club	443	492	795	140
AHS Dance Team	6,712	15,153	15,666	6,199
ROTC	2,278	8,381	10,262	397
Altus Teens Interact	425	1,690	1,469	646
AHS Cheer Parents	1,983	3,440	3,465	1,958
AHS Football Camp	70	2,805	2,333	542
FFA	16,818	66,351	67,130	16,039
FCCLA	4,485	3,552	4,171	3,866
AHS Leo Club	785	-	785	-
AHS Activity	3,728	10,742	12,108	2,362
AHS Band	1,190	5,864	5,928	1,126
ACTS Scholarship	1,551	-	-	1,551
AHS Special Education	4,133	-	193	3,940
AHS Girls Basketball	2,796	1,360	3,345	811
AHS Music	6,965	26,590	24,945	8,610
AHS Boys Basketball	59	56	45	70
AJH Student Council	388	307	363	332
AIS Library	912	11,034	9,257	2,689
AIS Activity	5,776	22,734	20,392	8,118
Yearbook/Public.	53,782	23,706	23,484	54,004
Rivers Activity	7,717	27,241	30,431	4,527
ROOS. Activity	7,152	25,770	14,475	18,447
AJH Library	955	3,960	4,083	832
AJH Activity	9,478	32,845	35,387	6,936
AJH Band	6,359	27,557	22,377	11,539
AJH Drama	118	-	-	118
Leo Club	1,451	652	695	1,408
AJH PAWS	1,696	7,875	8,445	1,126
AJH Music	2,601	11,003	13,190	414
AJH Cheerleader	1,604	21,641	22,410	835
AJH Basketball Camps	440	1,877	544	1,773
Student Council	1,443	438	402	1,479
Sunset Activity	4,805	16,292	20,773	324
Supply	-	20,972	20,972	-
VOC-Scholarship	7,078	-	-	7,078
Professional Dev.	6,757	7,331	5,811	8,277
Wash. Activity	2,185	2,091	3,224	1,052
Washington Booster Org	3,909	8,060	8,028	3,941
W.R. Activity	11,174	15,307	11,029	15,452
AIS Band	10,442	40,760	45,935	5,267
AJH Yearbook	2,788	8,831	9,582	2,037
Subtotal	\$ 256,026	\$ 649,327	\$ 663,509	\$ 241,844

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF SCHOOL ACTIVITY FUNDS
 JULY 1, 2011 TO JUNE 30, 2012
 CONTINUED

	Balance 7/1/11	Receipts	Disbursements	Balance 6/30/12
	\$	\$	\$	\$
Courtesy Fund	180	660	274	566
Summer School Drivers Ed	-	10,625	10,625	-
Extended Day Care	51,347	149,397	123,467	77,277
Athletic Concession	19,795	34,138	48,869	5,064
FFA Concession	1,916	13,836	13,788	1,964
FFA Horticulture	578	3,054	1,371	2,261
Special Olympics	2,444	-	1,674	770
All Star Olympics	-	4,837	1,451	3,386
Elem. Library - Wash.	542	3,884	4,182	244
Creative Writing	329	-	-	329
Athletic Donors	8,559	15,799	15,704	8,654
AHS Matmaids	971	2,624	3,294	301
GED Testing	3,560	4,365	6,708	1,217
Eugene Field Parent Group	243	312	260	295
Open Doors	545	2,915	1,805	1,655
HS Girls Golf	3,447	2,419	4,673	1,193
AHS Wrestling	802	1,690	726	1,766
Altus Tennis Assoc	3,979	4,063	3,840	4,202
Subtotal	\$ 99,237	\$ 254,618	\$ 242,711	\$ 111,144
Subtotal Page 1	256,026	649,327	663,509	241,844
Total:	\$ 355,263	\$ 903,945	\$ 906,220	\$ 352,988

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U.S. Department of Education Direct Programs P.L. 81-874 Impact Aid	84.041	N/A	\$ 803,445	\$ 803,445
Passed through State Department of Education				
Adult Basic Education	84.002	73-6017987*	48,869	48,869
Title I - ECIA	84.010	73-6017987*	1,055,507	59,301
Title I - Migrant	84.011	73-6017987*	655,692	13,469
Special Education - Preschool (IDEA-B)	84.173	73-6017987*	13,469	34,992
Title III	84.365	73-6017987*	58,802	58,802
Title X - Homeless Children	84.196	73-6017987*	99,875	99,875
Title IV - 21st Century Learning	84.287	73-6017987*	174,753	174,753
Title II - Part A/ Training	84.367	73-6017987*	77,073	77,073
Title VI - Part B	84.358	73-6017987*	1,977	1,977
Title II - Part D	84.318	73-6017987*	46,693	46,693
ARRA IDEA Early Intervening Services	84.391	73-6017987*	119	119
ARRA Idea Part B Preschool	84.392	73-6017987*	40,902	40,902
Passed through OK Department of Vocational & Technical Education				
Carl D. Perkins - Vocational Education	84.048	Not Assigned*	2,197	2,197
Rehabilitation Services	84.126	Not Provided	9,000	9,000
Passed through Oklahoma State Regents for Higher Education				
Gear Up College Access	84.334	Not Provided	103,801	103,801
U.S. Department of Health and Human Services				
Passed through Oklahoma Health Care Authority				
Early Periodic Screening and Diagnostic Testing Program	93.778	Not Provided	1,162,658	1,162,658
U.S. Department of Homeland Security				
Passed through Oklahoma Department of Emergency Management				
U.S. Department of Agriculture				
Passed through State Department of Education				
Nutrition Cluster	10.553, 10.555 & 10.559	73-6017987*	90,069	90,069
Passed through State Department of Human Services				
Commodities	10.550	Not Provided	47,284	47,284
U.S. Department of Defense				
Direct Programs Air Force ROTC	12.000	N/A	\$ 4,586,478	\$ 4,586,478

* Provided by State Agency

Commodities received, totaling \$9,069 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Altus Independent School District No. 018, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Sub recipients

Of the federal expenditures presented in the schedule, Altus Independent School District No. 018 provides no federal awards to sub recipients.

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 Auditor's Report

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altus Independent School District No. 018, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

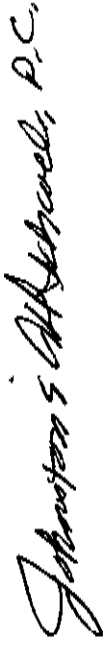
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District's Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Johnston's CPA Firm, P.C.", written in a cursive style.

Oklahoma City, Oklahoma
March 6, 2013

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 With Requirements That Could Have a Direct
And Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

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

Compliance

We have audited Altus Independent School District No.018'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, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Altus Independent School District No. 018's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Altus Independent School District No. 018's compliance with those requirements.

In our opinion, Altus Independent School District No. 018 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

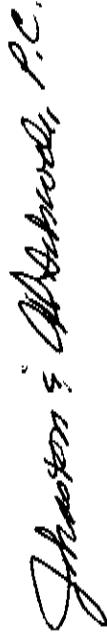
Management of Altus Independent School District No. 018 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance, with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the District's Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Oklahoma City, Oklahoma
March 6, 2013

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: *unqualified*

Internal control over financial reporting:

Material weakness(es) identified: _____yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes none reported

Noncompliance material to financial statements noted? _____yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes 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 no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I Part A
84.027; 84.173; 84.391; 84.392	Special Education Cluster (IDEA)
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 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 ACCOUNTANTS'
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

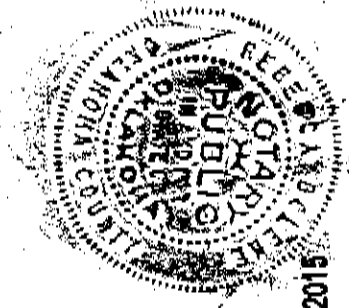
JUNE 30, 2012

STATE OF OKLAHOMA)
)
) SS:
COUNTY OF OKLAHOMA)

BEFORE ME, the undersigned auditing firm, Johnston & Ahlschwede, P.C., whose authorized agent, Linda L. Ahlschwede, is of lawful age, being first duly sworn on her oath says that said firm had in full force and effect, *Accountant's Professional Liability Insurance* in accordance with the *Oklahoma Public School Audit Law* during the entire audit engagement with Altus Independent School District No. 018 for the audit year ended June 30, 2012.

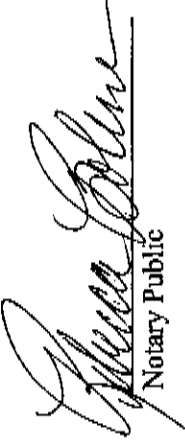
JOHNSTON & AHLSCHEWEDE, P.C.
Auditing Firm


Linda L. Ahlschwede, Authorized Agent



SUBSCRIBED AND SWORN before me this 11th day of March 2013.

My Commission Expires:


Notary Public

Notary # 07010410

Commission Expires October 29, 2015

(SEAL)

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018
 SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2012

Liberty Mutual – Public Official Position Schedule Bond #6662673-0000 yearly renewal on January 1, 2012. Following are positions and amounts in force as of June 30, 2012:

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 School District, Number 018
Jackson County, Oklahoma
June 30, 2012

The annual independent audit for Altus School District, was presented to the Board of Education in an Open Board Meeting on March 11, 2013 by Johnston & Ahlschwede, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts 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 it's 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 Vice President

Board of Education President

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

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

Affix Notary Seal

Notary Public