

**JOHNSTON & AHLSCHEWEDE, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018**

**FINANCIAL STATEMENTS**  
**with**  
**AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

FINANCIAL STATEMENTS

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
<b>Basic Financial Statements</b>	
Statement of Net Assets.....	10
Statement of Activities.....	11
Balance Sheet – Governmental Funds.....	12
Statement of Revenues Expenditures, and Changes In Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	14
Statement of Net Position – Fiduciary Funds.....	15
Notes to Financial Statements.....	16
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis).....	26
<b>Other Supplemental Schedules</b>	
Schedule of School Activity Funds.....	27
Schedule of Expenditures of Federal Awards.....	29
Notes to Schedule of Expenditures of Federal Awards.....	30
<b>Internal Control and Compliance Reports</b>	
Independent Auditors' 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> .....	31
Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	33

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

FINANCIAL STATEMENTS

JUNE 30, 2013

Table of Contents

Schedule of Findings and Questioned Costs .....	35
Schedule of Accountants' Professional Liability Insurance Affidavit .....	36
Schedule of Statutory, Fidelity and Honesty Bonds.....	37
Audit Acknowledgement.....	38

JOHNSTON & AHLSCHEWEDE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58<sup>TH</sup> STREET, SUITE 325C – SUITE 130 – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272

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 (the "District") as of and for the year ended June 30, 2013, and the related 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due fraud or error.

**Auditors' Responsibility**

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 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.

## **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 District, as of June 30, 2013, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 26 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of school activity funds is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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* in considering the District's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
March 5, 2014

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, 2013. 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 \$ 26.8 million and overall expenses were \$ 29.4 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 10 and 11 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 12 and 13 of this report.



ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

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 16 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 page 26 and other supplementary information can be found on pages 27 through 30.

**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>2013</u>	<u>2012</u>
Current and Other Assets	\$ 9.96	\$ 12.64
Capital assets	<u>25.08</u>	<u>23.40</u>
<b>Total assets</b>	<u>35.04</u>	<u>36.04</u>
Long-term debt outstanding	.10	.11
Other liabilities	<u>.35</u>	<u>.11</u>
<b>Total liabilities</b>	<u>.45</u>	<u>.22</u>
Net assets:		
Invested in capital assets, net of debt	25.08	23.40
Restricted	3.77	4.84
Unrestricted	<u>5.74</u>	<u>7.58</u>
<b>Total net assets</b>	<u>\$ 34.59</u>	<u>\$ 35.82</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 decreased by \$.88 million during the current fiscal year.

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

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ .45	\$ .47
Federal and State grants	3.56	4.83
Capital assets and supplies donated	1.28	2.90
General revenues		
Property taxes	3.76	3.59
Other taxes	2.31	2.25
Federal entitlement	.75	.80
State entitlement	15.91	16.26
Investment earning	<u>.03</u>	<u>.08</u>
<b>Total revenues</b>	<u>28.05</u>	<u>31.18</u>
<b>Expenses</b>		
Program expenses		
Instruction	\$ 17.06	\$ 16.78
Support services	8.64	8.23
Non-instruction	1.74	1.56
Facilities-repairs	.53	.16
Other outlays	.03	.95
Repayments	.01	.01
Depreciation-unallocated	<u>.92</u>	<u>.58</u>
<b>Total expenses</b>	<u>28.93</u>	<u>28.27</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (.88)</u>	<u>\$ 2.91</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.

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 \$9.61 million.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

As past fiscal years the district was not fully funded from the state for fiscal year 2013. The State of Oklahoma 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 increase in fund balance.

Actual revenues were \$ .62 million higher than expected, due largely to some state and federal aid that was restored but not anticipated.

The actual expenditures were \$ 4.40 million below budget, due primarily to expenditure budgets that remained unspent at June 30, 2013.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

During 2013 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 Roosevelt Elementary and Washington Elementary, irrigation systems at Altus High School and Altus Middle School and a new gym floor at Altus Junior High. Also projects at Altus High School included the initial phase of the Athletic Training Facility and construction of two new parking areas.

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
- Continue renovation of areas identified requiring ADA building compliance

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

- Roof repairs/replacement
- Technology infrastructure upgrades
- Renovation of additional facilities at Altus High School (expenses 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 to 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. The sales tax revenue project is providing an estimated \$17 million for the addition, remodeling and upgrading of Altus High School. Architectural and site evaluation work for the main project began in early 2009. During the 2010-2011 school year construction on the new east wing and the north wing renovation were completed and were occupied at the end of June 2011. Renovation was started on the west and south wings during the summer of 2011 and were completed and occupied at the end of June 2012. Some remaining sales tax revenue was still available and during 2012-2013 additional projects were identified. The athletic training facility project was started and is scheduled for completion in the fall of 2013. Architectural work has been requested on two other areas of renovation for Altus High School planned for 2014.

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, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,005,266
Property taxes receivable (net)	42,660
Due from other governments	909,166
Non-depreciated capital assets	318,766
Depreciated capital assets, net of depreciation	<u>24,759,232</u>
Total Assets	<u>35,035,090</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	350,856
Due within one year	-
Due beyond one year	<u>98,227</u>
Total Liabilities	<u>449,083</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	25,077,998
Restricted for:	
Building	3,377,793
Child Nutrition	387,798
Unrestricted	<u>5,742,418</u>
Total Net Assets	<u>\$ 34,586,007</u>

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

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Instruction	\$ (17,069,873)	\$ -	\$ 1,855,595	\$ -
Support Services	(8,644,446)	-	399,726	87,877
Non-instruction services	(1,745,234)	453,223	1,267,303	-
Facilities acquisition	(529,764)	-	-	1,189,055
Other outlays	(36,140)	-	33,560	-
Repayments	(810)	-	-	-
Depreciation - unallocated	(919,775)	-	-	-
Total school district	\$ (28,946,042)	\$ 453,223	\$ 3,556,184	\$ 1,276,932
				\$ (15,214,278)
				(8,156,843)
				(24,708)
				659,291
				(2,580)
				(810)
				(919,775)
				(23,659,703)

General Revenues:	
Taxes	
Property taxes, levied for general purposes	3,294,610
Property taxes, levied for building purposes	470,246
General taxes	2,319,404
State aid - formula grants	15,909,947
Federal aid - formula grants	751,221
Investment earnings	30,551
Total General Revenues	22,775,979
Change in net assets	(883,724)
Net assets - beginning	35,469,731
Net assets - ending	34,586,007

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, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,040,888	\$ 3,577,613	\$ 386,765	\$ 9,005,266
Receivables:				
Property taxes, delinquent - net	37,330	5,330	-	42,660
Due from other governments	778,805	125,578	4,783	909,166
Other accounts receivables	-	-	-	-
Total assets	<u>\$ 5,857,023</u>	<u>\$ 3,708,521</u>	<u>\$ 391,548</u>	<u>\$ 9,957,092</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued liabilities	\$ 16,378	\$ 330,728	\$ 3,750	\$ 350,856
Deferred revenue	-	-	-	-
Total liabilities	<u>16,378</u>	<u>330,728</u>	<u>3,750</u>	<u>350,856</u>
Fund balances:				
Reserved for:				
Building	-	3,377,793	-	3,377,793
Child Nutrition	-	-	387,798	387,798
Unreserved	5,840,645	-	-	5,840,645
Total fund balances	<u>5,840,645</u>	<u>3,377,793</u>	<u>387,798</u>	<u>9,606,236</u>
Total liabilities and fund balances	<u>\$ 5,857,023</u>	<u>\$ 3,708,521</u>	<u>\$ 391,548</u>	<u>\$ 9,957,092</u>
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			\$ 41,153,825	
Accumulated depreciation			<u>(16,075,827)</u>	25,077,998
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.				
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			<u>(98,227)</u>	<u>(98,227)</u>
Total net assets of governmental activities				<u>\$ 34,586,007</u>

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, 2013

	Child			
	General Fund	Building Fund	Nutrition Fund	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 3,372,103	\$ 536,486	\$ 453,697	\$ 4,362,286
Intermediate sources	478,716	-	-	478,716
State sources	17,749,280	1,355	27,653	17,778,288
Federal sources	2,211,699	751,221	1,203,177	4,166,097
Total revenues	<u>23,811,798</u>	<u>1,289,062</u>	<u>1,684,527</u>	<u>26,785,387</u>
<b>EXPENDITURES</b>				
Instruction	\$ 17,093,007	-	-	17,093,007
Support services	8,521,654	358,130	-	8,879,784
Non-instruction services	-	-	1,842,020	1,842,020
Facilities acquisition	-	1,496,668	-	1,496,668
Other outlays	35,716	-	425	36,141
Repayments	-	-	810	810
Total expenditures	<u>25,650,377</u>	<u>1,854,798</u>	<u>1,843,255</u>	<u>29,348,430</u>
Excess (deficiency) of revenues over (under) expenditures	(1,838,579)	(565,736)	(158,728)	(2,563,043)
FUND BALANCES, beginning	<u>7,679,224</u>	<u>3,943,529</u>	<u>546,526</u>	<u>12,169,279</u>
FUND BALANCES, ending	<u>\$ 5,840,645</u>	<u>\$ 3,377,793</u>	<u>\$ 387,798</u>	<u>\$ 9,606,236</u>

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



ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances – total governmental funds \$ (2,563,043)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (919,775)	
Capital outlays	<u>1,404,591</u>	484,816

Value of capital assets donated that are not reported in the governmental funds	1,189,055
---	-----------

The changes in deferred property taxes are not considered as “available” revenues in the governmental funds. They are however, recorded as revenues in the statement of activities

-

The change in some expenses (compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

5,448

Change in net assets – statement of activities	<u>\$ (883,724)</u>
--	---------------------

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

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
STATEMENT OF NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013

**ASSETS**

Cash and cash equivalents	\$ 352,954
	<hr/>
Total assets	<u>\$ 352,954</u>

**LIABILITIES AND NET POSITION**

Accounts payable and accrued liabilities	\$ -
Due to student groups	352,954
	<hr/>
Total liabilities	<u>352,954</u>
Net Position	
Unreserved	<hr/> -
	<hr/>
Total liabilities and fund balances	<u>\$ 352,954</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to local government units as promulgated by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for governmental account and financial reporting principles.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 — Summary of Significant Accounting Policies - continued

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 inter-fund 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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 — Summary of Significant Accounting Policies (continued)

For the year ended June 30, 2013, 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.

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.

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, 2013

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 on 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-fifth 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, 2013, the District had an outstanding liability for unused sick, vacation, and personal leave totaling approximately \$98,227.

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, 2013

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, 2012 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, 2013

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.

Inter-fund 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, 2013. 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, 2013, 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, 2013

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, 2013. 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, 2013, was \$15,186,782 the District's total compensation was \$23,260,270. Total contributions made during the year ended June 30, 2013, amounted to \$2,542,378, of which \$1,576,944 was contributed by the District, \$849,958 by the District as a benefit for employees, \$26,263 by the District's employees, and \$89,212 federal match. These contributions represented 10.38%, 5.60%, .17% and .59% respectively, of covered compensation. The District's contributions to the System for the years ending June 30, 2012 and 2011 were \$2,433,080 and \$2,550,189 respectively.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, is as follows:

Actuarial value of assets	\$ 10,861.1
Actuarial accrued liability – entry age method	<u>18,973.2</u>
Nonfunded actuarial accrued liability	<u>\$ 8,112.1</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, 2013. 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, 2013:

Capital assets not being depreciated:

Land	\$ 318,766
------	------------

Capital assets being depreciated:

Buildings and building improvements	33,390,148
Fences	71,910
Parking lots	782,553
Sidewalks	105,137
Equipment under capital lease	816,161
Cafeteria and other equipment	2,543,219
Vehicles	<u>3,204,861</u>
Total capital assets	<u>40,913,989</u>

Less accumulated depreciation (16,154,757)

Capital assets, net \$ 25,077,998

Depreciation expense of \$919,775 for the year ended June 30, 2013 was unallocated.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - Long-Term Liabilities

Long-term liabilities of the District consisted of the liability for the accrued compensated absences in the amount of \$98,227.

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, 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 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 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.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 – Contingencies and Commitments - continued

As of June 30, 2013, the district had outstanding contracts of approximately \$382,778 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 5, 2014, the date the financial statements were available to be issued.

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
BUDGETED GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2013  
UNAUDITED

	General Fund			Building Fund			Special Revenue Funds		
	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance
Beginning fund balances, budgetary basis	\$ 6,792,688	\$ 6,792,688	\$ -	\$ 3,660,028	\$ 3,660,028	\$ -	\$ 434,560	\$ 434,560	\$ -
<b>Revenues</b>									
Local sources	3,932,775	3,383,451	549,324	511,213	556,572	(25,359)	490,000	433,697	56,303
Intermediate sources	435,000	478,947	(43,947)	-	-	-	-	-	-
State sources	17,076,440	17,725,981	(649,541)	1,825	1,825	(1,825)	26,000	27,653	(1,653)
Federal sources	1,817,000	2,290,429	(473,429)	-	809,174	(809,174)	1,005,400	1,310,360	(305,360)
	-	3,391	(3,391)	-	-	-	-	-	-
Total revenues, budgetary basis	23,261,215	23,882,199	(620,984)	511,213	1,347,571	(836,358)	1,521,000	1,791,710	(270,710)
<b>Expenditures</b>									
Instruction	20,414,783	17,093,007	(3,321,776)	-	-	-	-	-	-
Support Services	9,564,120	8,521,654	(1,042,466)	468,000	376,388	(91,612)	-	-	-
Non-Instructional services	-	-	-	-	-	-	1,955,560	1,842,020	(113,540)
Facilities acquisition and construction	-	-	-	3,703,241	1,768,812	(1,934,429)	-	-	-
Other outlays	75,000	35,716	(39,284)	-	-	-	-	425	425
Repayments	-	-	-	-	-	-	-	810	810
Total expenditures, budgetary basis	30,053,903	25,650,377	(4,403,526)	4,171,241	2,145,400	(2,025,841)	1,955,560	1,843,255	(112,305)
Excess of revenues and beginning fund over expenditures - budgetary basis	\$ -	\$ 5,024,510	\$ 5,024,510	\$ -	\$ 2,862,199	\$ 2,862,199	\$ -	\$ 383,015	\$ 383,015
Escopped warrants	-	-	-	-	-	-	-	-	-
Cancelled encumbrances	-	-	-	1,908	1,908	-	-	-	-
Excess of revenues, escopped warrants, cancelled encumbrances and beginning fund balances over expenditures	-	5,024,510	5,024,510	2,864,107	2,864,107	-	-	383,015	383,015
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances									
Add: Ad valorem taxes receivable	-	37,330	37,330	-	5,330	5,330	-	-	-
Due from other governments	-	778,805	778,805	-	125,578	125,578	-	4,783	4,783
Other accounts receivables	-	-	-	-	-	-	-	-	-
Encumbrances reclassified as commitments	-	-	-	-	382,778	382,778	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Ending fund balances	\$ 5,840,645	\$ 5,840,645	\$ -	\$ 3,377,293	\$ 3,377,293	\$ -	\$ -	\$ 387,298	\$ 387,298

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
 SCHEDULE OF SCHOOL ACTIVITY FUNDS  
 JULY 1, 2012 TO JUNE 30, 2013

	Balance 7/1/12	Receipts	Disbursements	Balance 6/30/13
All School Prod.	\$ 8,629	\$ 13,954	\$ 12,163	\$ 10,420
Athletics	10,704	89,648	92,777	7,575
AHS Bulldog Academy	1,551	2,557	2,816	1,292
Community Service	5,657	3,891	5,893	3,655
Cheerleader	9,041	47,235	45,185	11,091
AHS Debate Club	140	258	38	360
AHS Dance Team	6,199	26,546	27,655	5,090
ROTC	397	6,217	5,577	1,037
Altus Teens Interact	646	2,071	1,874	843
AHS Cheer Parents	1,958	7,615	5,817	3,756
AHS Football Camp	542	6,500	6,007	1,035
FFA	16,039	72,744	67,923	20,860
FCCLA	3,866	3,255	3,726	3,395
AHS Leo Club	-	260	88	172
AHS Activity	2,362	13,697	13,664	2,395
AHS Band	1,126	6,359	6,240	1,245
AHS Baseball	-	1,600	1,600	-
ACTS Scholarship	1,551	-	-	1,551
AHS Special Education	3,940	9,198	8,298	4,840
AHS Girls Basketball	811	320	127	1,004
AHS Music	8,610	25,261	28,128	5,743
AHS Boys Basketball	70	-	35	35
AJH Student Council	332	384	316	400
AIS Library	2,689	8,901	8,543	3,047
AIS Activity	8,118	16,201	18,071	6,248
Yearbook/Public.	54,004	17,317	27,457	43,864
Rivers Activity	4,527	23,637	21,686	6,478
ROOS. Activity	18,447	24,335	17,075	25,707
AJH Library	832	2,911	3,029	714
AJH Activity	6,936	32,066	35,890	3,112
AJH Band	11,539	24,081	30,994	4,626
AJH Drama	118	-	118	-
Leo Club	1,408	1,071	1,407	1,072
AJH PAWS	1,126	7,210	7,060	1,276
AJH Music	414	18,269	15,813	2,870
AJH Cheerleader	835	20,228	20,238	825
AJH Basketball Camps	1,773	1,175	2,407	541
Student Council	1,479	-	45	1,434
Sunset Activity	324	14,264	11,493	3,095
Supply	-	7,880	7,880	-
VOC-Scholarship	7,078	-	-	7,078
Professional Dev.	8,277	1,336	6,715	2,898
Wash. Activity	1,052	1,583	2,635	-
Washington Booster Org	3,941	13,951	9,043	8,849
W.R. Activity	15,452	13,691	24,551	4,592
<b>Subtotal</b>	<b>\$ 234,540</b>	<b>\$ 589,677</b>	<b>\$ 608,097</b>	<b>\$ 216,120</b>

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
SCHEDULE OF SCHOOL ACTIVITY FUNDS  
JULY 1, 2012 TO JUNE 30, 2013  
CONTINUED

	<u>Balance 7/1/12</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/13</u>
AHS Color Guard	-	4,557	4,439	118
AIS Band	5,267	40,278	41,622	3,923
AJH Yearbook	2,037	8,940	9,273	1,704
Courtesy Fund	566	402	625	343
Summer School Drivers Ed	-	12,000	12,000	-
Extended Day Care	77,277	143,718	122,133	98,862
Athletic Concession	5,064	45,424	49,104	1,384
FFA Concession	1,964	13,639	12,616	2,987
FFA Horticulture	2,261	919	1,636	1,544
Special Olympics	770	-	-	770
All Star Olympics	3,386	6,241	4,043	5,584
Elem. Library - Wash.	244	3,535	3,249	530
Creative Writing	329	-	-	329
Athletic Donors	8,654	8,100	8,100	8,654
AHS Matmaids	301	2,536	2,675	162
GED Testing	1,217	3,920	3,072	2,065
Eugene Field Parent Group	295	-	-	295
Open Doors	1,655	2,486	2,186	1,955
HS Girls Golf	1,193	115	516	792
AHS Wrestling	1,766	(45)	1,400	321
Altus Tennis Assoc	4,202	4,750	4,440	4,512
Subtotal	\$ 118,448	\$ 301,515	\$ 283,129	\$ 136,834
Subtotal Page 1	234,540	589,677	608,097	216,120
Total:	<u>\$ 352,988</u>	<u>\$ 891,192</u>	<u>\$ 891,226</u>	<u>\$ 352,954</u>

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

<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	\$ 809,175
Passed through State Department of Education		
Adult Basic Education	84.002	62,787
Title I - ECIA	84.010	1,016,491
Title I - Migrant	84.011	54,879
Special Education	84.027	586,602
Special Education - Preschool (IDEA-B)	84.173	12,314
Title III	84.365	25,885
Title X - Homeless Children	84.196	34,529
Title IV - 21st Century Learning	84.287	87,170
Title II - Part A/ Training	84.367	155,146
Title VI - Part B	84.358	51,613
Passed through OK Department of Vocational & Technical Education		
Carl D. Perkins - Vocational Education	84.048	33,572
Passed through Oklahoma Department of Rehabilitation Service		
Rehabilitation Services	84.126	1,887
<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	23,744
<u>U.S. Department of Agriculture</u>		
Passed through State Department of Education - Nutrition Cluster		
School Breakfast	10.553	311,980
Nutritional School Lunch	10.555	885,674
Summer Food Program	10.559	5,523
Passed through State Department of Human Services - nonmonetary		
Commodities	10.550	92,061
<u>U.S. Department of Defense</u>		
Direct Programs		
Air Force ROTC	12.000	58,115
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 4,309,147</b>



ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2013

**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 58<sup>TH</sup> STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272

Independent Auditors' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altus Independent School District No. 018 (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2014.

**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 opinions 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 District'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 the 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. 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 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  
March 5, 2014

JOHNSTON & AHLSCHEWEDE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

Board of Education  
Altus Independent School District No. 018  
Altus, 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, 2013. 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, 2013.

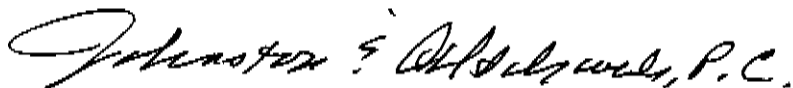
## Report on Internal Control Over Compliance

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  
March 5, 2014

ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR YEAR ENDED JUNE 30, 2013

**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 X no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes X no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_yes X no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes X 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 X 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	Special Education Cluster (IDEA)
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

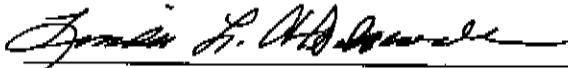
SCHEDULE OF ACCOUNTANTS'  
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JUNE 30, 2013

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, 2013.

JOHNSTON & AHLSCHEWE, P.C.  
Auditing Firm

  
\_\_\_\_\_  
Linda L. Ahlschwede, Authorized Agent

SUBSCRIBED AND SWORN before me this 10<sup>th</sup> day of March 2014.

My Commission Expires:

Notary # 07010410  
Commission Expires October 29, 2015

  
\_\_\_\_\_  
Notary Public

(SEAL)



ALTUS INDEPENDENT SCHOOL DISTRICT NO. 018

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2013

Liberty Mutual – Public Official Position Schedule Bond #6662673-0000 yearly renewal on January 1, 2013. Following are positions and amounts in force as of June 30, 2013:

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  
Jackson County, Oklahoma  
June 30, 2013

The annual independent audit for Altus Independent School District NO. 018, was presented to the Board of Education in an Open Board Meeting on March 10, 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 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 \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

Affix Notary Seal