

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

FINANCIAL STATEMENTS
with
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

FINANCIAL STATEMENTS

JUNE 30, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Education
Elk City Independent School District No. 06
Beckham County, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements – regulatory basis of Elk City Independent School District No. 06, Beckham County, Oklahoma, as of and for the year ended June 30, 2015 and the related notes to financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

As described more fully in Note 1, Elk City Independent School District No. 06 prepares its financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Elk City Independent School District No. 06, as of June 30, 2015, or the results of its operations for the year then ended. Further, Elk City Independent School District No. 06, has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Elk City Independent School District No. 06 as of June 30, 2015, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* also is not a required part of the basic financial statements.

The Combining Statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States

of America. In our opinion, the combining statements – regulatory basis and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
February 5, 2016

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2015

	GOVERNMENTAL FUND TYPES				
	General	Co-op	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS					
Cash and cash equivalents	\$ 2,022,870	\$ -	\$ 285,497	\$ 1,100	\$ 1,701,087
Investments	-	-	-	-	-
Amount available in debt service fund					
Amounts to be provided for retirement of long-term debt	-	-	-	-	-
Total assets and other debits	\$ 2,022,870	\$ -	\$ 285,497	\$ 1,100	\$ 1,701,087
 LIABILITIES AND FUND BALANCES					
Reserve for encumbrances	\$ 29,477	\$ -	\$ 21,492	\$ -	\$ -
Due to student groups	-	-	-	-	-
General obligation bonds payable					
Current					
Long-term					
Long-term debt - capital lease	-	-	-	-	-
Total liabilities	29,477	-	21,492	-	-
Fund balances	1,993,393	-	264,005	1,100	1,701,087
Total liabilities and fund balances	\$ 2,022,870	\$ -	\$ 285,497	\$ 1,100	\$ 1,701,087

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

<u>TRUST FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>Total - Memorandum Only</u>
<u>Gifts and Grants</u>	<u>Student Activity</u>	<u>General Long- Term Debt</u>	
\$ 1,404	\$ 95,554	\$ -	\$ 4,107,512
-	125,000	-	125,000
		1,100	1,100
-	-	4,426,949	4,426,949
<u>\$ 1,404</u>	<u>\$ 220,554</u>	<u>\$ 4,428,049</u>	<u>\$ 8,660,561</u>

\$ -	\$ -	\$ -	\$ 50,969
-	220,554	-	220,554
		-	-
		2,475,000	2,475,000
-	-	1,953,049	1,953,049
-	220,554	4,428,049	4,699,572
1,404	-	-	3,960,989
<u>\$ 1,404</u>	<u>\$ 220,554</u>	<u>\$ 4,428,049</u>	<u>\$ 8,660,561</u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL AND TRUST FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

REVENUES COLLECTED	General	Co-op	Special Revenue	Debt Service
Local sources	\$ 3,905,581	\$ -	\$ 874,322	\$ 1,100
Intermediate sources	656,730	-	-	-
State sources	8,873,227	64,215	14,580	-
Federal sources	1,236,398	-	555,135	-
Non-revenue	304,368	-	-	-
Total revenues collected	<u>14,976,304</u>	<u>64,215</u>	<u>1,444,037</u>	<u>1,100</u>
 EXPENDITURES PAID				
Instruction	9,323,818	35,365	-	-
Support services	5,239,796	28,850	502,621	-
Non-instruction services	324,435	-	909,022	-
Facilities acquisition	-	-	104,478	-
Other outlays	228,995	-	512	-
Repayments	-	-	-	-
Total expenditures paid	<u>15,117,044</u>	<u>64,215</u>	<u>1,516,633</u>	<u>-</u>
Excess (deficiency) of revenues collected over (under) expenditures paid	(140,740)	-	(72,596)	1,100
FUND BALANCES, beginning	2,133,568	-	336,601	-
Estopped warrants	-	-	-	-
Cancelled encumbrances	565	-	-	-
Fund transfer	-	-	-	-
FUND BALANCES, ending	<u>\$ 1,993,393</u>	<u>\$ -</u>	<u>\$ 264,005</u>	<u>\$ 1,100</u>

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

Capital Projects	Gifts and Grants	Total - Memorandum Only
\$ -	\$ 450	\$ 4,781,453
-	-	656,730
-	-	8,952,022
-	-	1,791,533
2,475,000	-	2,779,368
<u>2,475,000</u>	<u>450</u>	<u>18,961,106</u>
-	-	9,359,183
-	950	5,772,217
-	-	1,233,457
773,903	-	878,381
10	-	229,517
-	-	-
<u>773,913</u>	<u>950</u>	<u>17,472,755</u>
1,701,087	(500)	1,488,351
-	1,904	2,472,073
-	-	-
-	-	565
-	-	-
<u>\$ 1,701,087</u>	<u>\$ 1,404</u>	<u>\$ 3,960,989</u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - GENERAL FUND
 REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning fund balances	\$ 2,133,568	\$ 2,133,568	\$ 2,133,568	\$ -
Revenues collected				
Local sources	3,318,667	3,318,667	3,905,581	586,914
Intermediate sources	500,000	500,000	656,730	156,730
State sources	7,961,065	8,161,065	8,873,227	712,162
Federal sources	1,095,637	1,095,637	1,236,398	140,761
Non-revenue	-	-	304,368	304,368
Total revenues collected	<u>12,875,369</u>	<u>13,075,369</u>	<u>14,976,304</u>	<u>1,900,935</u>
Expenditures paid				
Instruction	9,323,818	9,323,818	9,323,818	-
Support Services	5,240,889	5,240,889	5,239,796	1,093
Non-Instructional services	324,435	324,435	324,435	-
Facilities acquisition and construction	-	-	-	-
Other outlays	119,795	319,795	228,995	90,800
Repayments	-	-	-	-
Total expenditures paid	<u>15,008,937</u>	<u>15,208,937</u>	<u>15,117,044</u>	<u>91,893</u>
Excess of revenues collected and beginning fund over expenditures paid	<u>\$ -</u>	<u>\$ -</u>	<u>1,992,828</u>	<u>\$ 1,992,828</u>
Estopped warrants			-	
Canceled encumbrances			565	
Transfers			-	
Ending fund balances			<u>\$ 1,993,393</u>	

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - SPECIAL REVENUE FUNDS
 REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Budget Original and Final	Actual	Variance
Beginning fund balances	\$ 336,601	\$ 336,601	\$ -
Revenues collected			
Local sources	790,626	874,322	83,696
Intermediate sources	-	-	-
State sources	13,527	14,580	1,053
Federal sources	527,976	555,135	27,159
Non-revenue	-	-	-
Total revenues collected	<u>1,332,129</u>	<u>1,444,037</u>	<u>111,908</u>
Expenditures paid			
Instruction	-	-	-
Support Services	502,633	502,621	12
Non-Instructional services	909,022	909,022	-
Facilities acquisition and construction	104,478	104,478	-
Other outlays	152,597	512	152,085
Repayments	-	-	-
Total expenditures paid	<u>1,668,730</u>	<u>1,516,633</u>	<u>152,097</u>
Excess of revenues collected and beginning fund over expenditures paid	<u>\$ -</u>	264,005	<u>\$ 264,005</u>
Estopped warrants		-	
Canceled encumbrances		-	
Transfers			
Ending fund balances		<u>\$ 264,005</u>	

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 — Summary of Significant Accounting Policies

The financial statements of the Elk City Independent School District No. 06 (“the District”) have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

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

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

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

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

B. Fund Accounting and Description of Funds

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

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

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

Governmental Fund Types

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

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

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

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Trust Fund Types

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

Gifts and Grants Fund - The gifts and grants fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. The fund is used to promote the general welfare of the District. Also, endowment funds allow for income derived from such funds to be expended, but the principle must remain intact.

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.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Account Group

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

General Long-Term Debt Account Group – This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal.

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

Memorandum Only — Total Column

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

C. Basis of Accounting and Presentation

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

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

D. Budgets and Budgetary Accounting

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting — under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund — is utilized in all governmental and trust funds of the District.

E. Assets, Liabilities and Fund Balances

Cash – The District considers all cash on hand, demand deposits and interest bearing checking accounts to be cash.

Investments – Investments consist of certificate of deposits or direct obligations of the United States Government and Agencies. All investments are recorded as cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2015, is not material to the financial statements.

Fixed Assets and Property, Plant & Equipment – Fixed assets are recorded by the District as capital outlay expenditures in each fund. The District has not maintained the cost of fixed assets purchased in previous years. Thus, the General Fixed Asset Account Group is not presented.

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 — Summary of Significant Accounting Policies (continued)

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

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

F. Revenue, Expenses and Expenditures

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

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

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 — Summary of Significant Accounting Policies (continued)

Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operation grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government entity.

An entitlement is the amount of payment to which the district is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the district are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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

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

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

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 — Summary of Significant Accounting Policies (continued)

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

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

NOTE 2 — Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or saving certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's cash and cash equivalents include certificates of deposit at June 30, 2015. The District adopted a written management and investment policy that follows state statute and can be viewed in its entirety at the District's administrative offices.

Custodial Credit Risk – At June 30, 2015, the District held deposits of approximately \$4,960,224 in financial institutions, which was comprised of money market accounts \$4,835,224 and certificate of deposit \$125,000. The District's cash deposits and certificates of deposit at June 30, 2015, were not completely insured or collateralized by Federal Depository Insurance (FDIC), securities held by its agent in the District's name and by irrevocable letters of credit. Funds in the amount of \$4,739,670 held at Interbank were under insured by \$739,670.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: \$125,000 in certificate of deposits and \$4,835,224 in money market funds.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 — General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. General long-term debt of the District consists of building bonds and capital leases.

The following is a summary of the building bonds and capital leases transactions for the year ended June 30, 2015:

Balance, July 1, 2014	\$ 2,187,466.05
Additions	2,528,386.00
Retirements	<u>287,803.29</u>
Balance, June 30, 2015	<u>\$ 4,428,048.76</u>

On May 1, 2015 The Elk City School District issued building bonds in the amount of \$2,475,000. The bond is due in full on May 1, 2017.

The annual debt service requirements to maturity for retirement of bond principal and payment of interest are as follows:

<u>Year End June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$19,800	\$ 19,800
2017	\$2,475,000	\$19,800	\$2,494,800

The District has entered into a lease agreement as lessee, which qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

The District records current year payments on capital leases as expenditures and records a liability for future lease payments in the general long-term debt account group.

Capital lease payable for metal roofs and HVAC units to Interbank has annual payments of \$169,384.38, bearing interest at 4.60% per annum. This lease is dated October 14, 2011, final payment due February 15, 2021.

Capital lease payable for energy conservation project to The First National Bank and Trust of Elk City has annual payments of \$163,528.26, bearing interest at 3.50% per annum. This lease is dated November 23, 2012, final payment due February 1, 2022.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 — General Long-term Debt (continued)

Capital lease payable for activity bus to Legacy Bank has annual payments of \$23,801.38, bearing interest at 3.00% per annum. This lease is dated March 7, 2014, final payment due February 1, 2018.

Capital lease payable for activity bus to De Lage Landen Public Finance LLC has annual payments of \$18,252.25, bearing interest at 2.50% per annum. The lease is dated April 10, 2015, final payment is due April 10, 2017.

Future minimum lease payments for the next five years are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$297,770.90	\$77,395.37	\$375,166.27
2017	309,257.68	65,908.59	375,166.27
2018	280,082.10	53,783.56	333,865.66
2019	290,686.66	42,425.98	333,112.64
2020	<u>302,490.69</u>	<u>30,621.95</u>	<u>333,112.64</u>
	<u>\$1,480,288.03</u>	<u>\$270,135.45</u>	<u>\$1,750,423.48</u>

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 — Employee Retirement System (continued)

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, 2015. Participating members are required to contribute 7.0% on all applicable compensation. The District contributed \$909,354 to the System for the year ending June 30, 2015.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation, in millions, dated June 30, 2015, was \$6,920.8.

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, 2015. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

NOTE 5 — 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.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 — Risk Management (continued)

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 6 — Contingencies and Commitments

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

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

NOTE 7 — Subsequent Events

Management has evaluated all subsequent events through February 5, 2016, the date the financial statements were available to be issued.

NOTE 8 — Surety Bonds

The District has a public official position schedule bond with Western Surety Company, bond number 69990338, for an annual term ending on December 10 of each year. As of June 30, 2015, the following positions were insured for the amounts indicated: Encumbrance Clerk, Minutes Clerk and Activity Fund Custodian - \$5,000; Treasurer - \$100,000; Superintendent - \$100,000.

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2015

	Building	Child Nutrition	Total Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 200,725	\$ 84,772	\$ 285,497
Investments	-	-	-
	<u>\$ 200,725</u>	<u>\$ 84,772</u>	<u>\$ 285,497</u>
Total assets	<u>\$ 200,725</u>	<u>\$ 84,772</u>	<u>\$ 285,497</u>
 LIABILITIES AND FUND BALANCES			
Reserve for encumbrances	\$ 21,492	\$ -	\$ 21,492
	<u>21,492</u>	<u>-</u>	<u>21,492</u>
Total liabilities	<u>21,492</u>	<u>-</u>	<u>21,492</u>
Fund balances	<u>179,233</u>	<u>84,772</u>	<u>264,005</u>
Total liabilities and fund balances	<u>\$ 200,725</u>	<u>\$ 84,772</u>	<u>\$ 285,497</u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

REVENUES COLLECTED	Building	Child Nutrition	Total - Special Revenue Funds
Local sources	\$ 558,384	\$ 315,938	\$ 874,322
Intermediate sources	-	-	-
State sources	-	14,580	14,580
Federal sources	-	555,135	555,135
Total revenues collected	<u>558,384</u>	<u>885,653</u>	<u>1,444,037</u>
 EXPENDITURES PAID			
Instruction	-	-	-
Support services	502,621	-	502,621
Non-instruction services	-	909,022	909,022
Facilities acquisition	104,478	-	104,478
Other outlays	12	500	512
Total expenditures paid	<u>607,111</u>	<u>909,522</u>	<u>1,516,633</u>
Excess (deficiency) of revenues collected over (under) expenditures paid	(48,727)	(23,869)	(72,596)
FUND BALANCES, beginning	227,960	108,641	336,601
Estopped warrants	-	-	-
Cancelled encumbrances	-	-	-
Fund transfer	-	-	-
FUND BALANCES, ending	<u>\$ 179,233</u>	<u>\$ 84,772</u>	<u>\$ 264,005</u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
 CHANGES IN FUND BALANCES - BUDGETED SPECIAL REVENUE FUND TYPES
 REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds					
	Building Fund		Variance	Child Nutrition Fund		Variance
	Budget Original and Final	Actual		Budget Original and Final	Actual	
Beginning fund balances	\$ 227,960	\$ 227,960	\$ -	\$ 108,641	\$ 108,641	\$ -
Revenues collected						
Local sources	504,220	558,384	54,164	286,406	315,938	29,532
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	13,527	14,580	1,053
Federal sources	-	-	-	527,976	555,135	27,159
Total revenues collected	504,220	558,384	54,164	827,909	885,653	57,744
Expenditures paid						
Instruction	-	-	-	-	-	-
Support Services	502,633	502,621	12	-	-	-
Non-Instructional services	-	-	-	909,022	909,022	-
Facilities acquisition	104,478	104,478	-	-	-	-
Other outlays	125,069	12	125,069	27,528	500	27,028
Total expenditures paid	732,180	607,111	125,081	936,550	909,522	27,028
Excess of revenues collected and beginning fund over expenditures paid	\$ -	\$ 179,233	\$ 179,245	\$ -	\$ 84,772	\$ 84,772
Estopped warrants	-	-	-	-	\$ -	-
Canceled encumbrances	-	-	-	-	-	-
Ending fund balances		\$ 179,233			\$ 84,772	

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF CHANGES IN CASH BALANCE- ACTIVITY FUND
 REGULATORY BASIS
 JULY 1, 2014 TO JUNE 30, 2015

	Balance 7/1/14	Receipts	Disbursements	Adjustments	Balance 6/30/15
0001 Athletic	\$ 29,923	\$ 170,402	\$ 174,500	\$ 6,742	\$ 32,567
0002 Student council	935	4,633	4,884	-	684
0003 Senior Class	1,649	2,773	2,029	-	2,393
0004 Art	153	-	-	-	153
0005 Junior Class	14,212	57,428	54,980	116	16,776
0006 Agriculture	35,050	126,010	112,956	210	48,314
0007 Band	2,516	17,537	16,076	-	3,977
0008 FBLA	65	-	-	-	65
0009 Chorus	3,117	10,732	10,808	-	3,041
0010 FCCLA	434	3,662	3,525	-	571
0011 Junior High School	1,691	12,393	11,782	27	2,329
0012 Annual	7,199	12,152	11,693	-	7,658
0013 Football	3,347	8,994	12,236	-	105
0014 Adult Student Fund	1,683	704	519	(4)	1,864
0015 Miscellaneous Account	92	1,078	655	5	520
0016 Library-High School	254	741	208	-	787
0017 Musical Productions	5,371	4,789	3,307	-	6,853
0018 Golf	-	-	-	-	-
0019 Cross Country Account	7,975	7,323	11,112	15	4,201
0020 Tennis	515	845	541	-	819
0021 Petty Cash	-	200	200	-	-
0022 Life Skills	15	21,632	12,900	40	8,787
0023 Grandview	4,247	13,290	9,494	(2,515)	5,528
0024 Gingersnaps	6,876	50,285	50,563	30	6,628
0025 High School	7,171	9,089	12,373	-	3,887
0026 Clearing	(1)	52,848	52,848	1	-
0027 Northeast	2,289	5,628	4,332	91	3,676
0028 Fairview Elementary	21,924	4,161	4,268	(432)	21,385
0029 Basketball-Boys	44	-	-	-	44
0030 Honor Society-ECHS	1,578	1,596	1,475	-	1,699
0031 Middle School FACS	49	668	662	-	55
0032 Pioneer	1,138	4,919	4,429	-	1,628
0033 Spanish Club	12	-	12	-	-
0034 Student Council - Grandview	1,576	827	1,215	-	1,188
0035 Lunch	15	316,660	316,660	(15)	-
0036 Tech - Ed	694	1,210	1,628	-	276
0037 Community Services	-	96,057	96,057	-	-
0038 Intermediate Student Council	-	1,560	1,038	-	522
0039 Student Science Fund - GV	2,148	4,639	4,476	-	2,311
0040 Annual-Elementary	10,387	12,940	19,298	-	4,029
0042 Pioneer Center	5,000	47,715	49,632	1,917	5,000
0043 Special Services	1,288	4,146	2,635	750	3,549
0044 Basketball-Girls	467	-	201	-	266
0045 Soccer	250	-	-	-	250
0046 Athletic Concession	25	-	-	-	25
0047 Baseball	102	1,000	-	-	1,102
0048 Science-Math	249	-	92	-	157
0049 Softball Account	3,569	16,768	17,759	(8)	2,570
Subtotal	\$ 187,293	\$ 1,110,034	\$ 1,096,058	\$ 6,970	\$ 208,239

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 COMBINING STATEMENT OF CHANGES IN CASH BALANCE- ACTIVITY FUND
 REGULATORY BASIS
 JULY 1, 2014 TO JUNE 30, 2015
 CONTINUED

	<u>Balance 7/1/14</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Adjustments</u>	<u>Balance 6/30/15</u>
0050 Library-Grandview	\$ 2,180	\$ 7,484	\$ 6,901	\$ -	\$ 2,763
0051 Student Council-Junior High	114	-	38	-	76
0052 Cheerleading-Junior High	2,655	17,461	19,283	-	833
0053 Library-Junior High	581	1,076	1,288	14	383
0054 Yearbook-Junior High	3,657	8,517	5,127	-	7,047
0055 Wrestling	167	601	-	-	768
0056 Alternative Student Fund	584	386	545	-	425
0057 Scholarship Fund	936	1,584	2,400	(100)	20
Subtotal	<u>\$ 10,874</u>	<u>\$ 37,109</u>	<u>\$ 35,582</u>	<u>\$ (86)</u>	<u>\$ 12,315</u>
Subtotal Page 1	<u>187,293</u>	<u>1,110,034</u>	<u>1,096,058</u>	<u>6,970</u>	<u>208,239</u>
Total:	<u><u>\$ 198,167</u></u>	<u><u>\$ 1,147,143</u></u>	<u><u>\$ 1,131,640</u></u>	<u><u>\$ 6,884</u></u>	<u><u>\$ 220,554</u></u>

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Project Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
<u>U.S. Department of Education</u>					
<u>Direct Programs</u>					
Title VII, Part A Indian Education	84.060	561	N/A	\$ 28,276	\$ 28,276
Passed through State Department of Education					
Adult Basic Education	84.002	731	73-6017987*	56,388	161,208
Title I - Basic Program	84.010	511	73-6017987*	417,727	438,970
Title I - Part D, Subpart 2, Local Delinquent Program	84.010	532	73-6017987*	5,269	4,811
Special Education	84.027	621/625	73-6017987*	417,426	409,638
Special Education - Preschool (IDEA-B)	84.173	641	73-6017987*	2,995	8,103
Title VI, Part B	84.358	587	73-6017987*	40,070	40,391
Title III Language Instruction	84.365	572	73-6017987*	19,684	17,600
Title II - Part A/Training	84.367	541	73-6017987*	71,202	59,576
Passed through Oklahoma State Regents for Higher Education					
Gear Up	84.334	771/773	Not Provided	155,664	147,341
Passed through Oklahoma Department of Vocational and Technical Education					
Carl D. Perkins - Vocational Education	84.048	421	Not Assigned*	21,696	21,696
-Basis and Policy Leadership Development Grants					
<u>U.S. Department of Agriculture</u>					
Passed through State Department of Education -Cash Assistance					
School Breakfast Program	10.553	764	73-6017987*	145,704	145,704
National School Lunch Program	10.555	763	73-6017987*	409,432	409,432
Passed through State Department of Human Services-Non Cash Assistance					
Commodities	10.553 & 10.555	N/A	73-6017987*	55,766	55,766
TOTAL FEDERAL AWARDS				\$ 1,847,299	\$ 1,948,512

* Provided by State Agency

Commodities received, totaling \$55,766 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

Board of Education
Elk City Independent School District No. 06
Beckham County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements – regulatory basis within the combined financial statements of the Elk City Independent School District No. 06 as of June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2016, which was adverse with the respect to presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Oklahoma City, Oklahoma
February 5, 2016

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditors' Report

Board of Education
Elk City Independent School District No. 06
Beckham County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Elk City Independent School District No. 06 (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, 2015. 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, Elk City Independent School District No. 06, 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, 2015.

Report on Internal Control Over Compliance

Management of Elk City Independent School District No. 06 (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
February 5, 2016

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: *adverse opinion*

Internal control over financial reporting:

Material weakness(es) identified: _____yes 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 - Basic Program and Part D
84.027; 84.173	Special Education Cluster
84.334	Gear Up

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

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

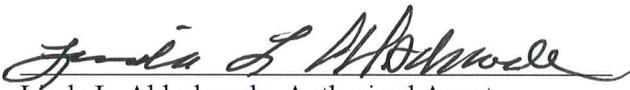
SCHEDULE OF ACCOUNTANTS'
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JUNE 30, 2015

STATE OF OKLAHOMA)
) SS:
COUNTY OF OKLAHOMA)

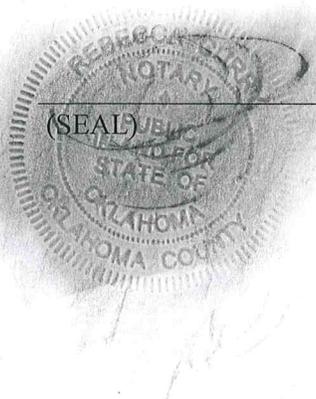
BEFORE ME, the undersigned auditing firm, Johnston & Ahlschwede, P.C., whose authorized agent, Linda Ahlschwede, is of lawful age, being first duly sworn on her oath says that said firm had in full force and effect, *Accountant's Professional Liability Insurance* in accordance with the *Oklahoma Public School Audit Law* during the entire audit engagement with Elk City Independent School District No. 06, for the audit year ended June 30, 2015.

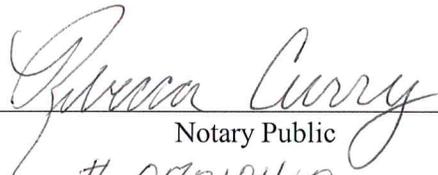
JOHNSTON & AHLSCHEWEDE, P.C.
Auditing Firm


Linda L. Ahlschwede, Authorized Agent

SUBSCRIBED AND SWORN before me this 8th day of February 2016

My Commission Expires: October 29, 2019




Notary Public
07010410

ELK CITY INDEPENDENT SCHOOL DISTRICT NO. 06

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2015

Western Surety Company – Public Official Position Schedule Bond #69990338 – continuous policy originally dated December 10, 2005. Following are positions and amounts in force as of June 30, 2015:

Encumbrance Clerk	\$ 5,000
Minutes Clerk	\$ 5,000
Activity Fund Custodian	\$ 5,000
Treasurer	\$100,000
Superintendent	\$100,000