FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITORS'

TWIN HILLS SCHOOL DISTRICT NO. C-11,
Okmulgee County, Oklahoma

JUNE 30, 2014

Audited by

WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD OF EDUCATION

President	Gary Hudgens
Clerk	Scott Gilbert
Member	Brian Costanza

MINUTES CLERK

Pam Coale

SCHOOL DISTRICT TREASURER

Pam Snowden

SUPERINTENDENT OF SCHOOLS

Gary McElroy

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

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JUNE 30, 2014

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.
Certified Public Accountants
Members
American Institute of Certified Public Accountants Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Education
Twin Hills Public School No. C-11
Okmulgee County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the Twin Hills Public School No. C-11, Okmulgee County, Oklahoma (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's regulatory 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 the financial reporting provisions of the Oklahoma State Department of Education; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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 from material misstatement.

An audit involves performing procedures to obtain 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.

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

As described in Note 1, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, 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 the District as of June 30, 2014, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset 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 the District as of June 30, 2014, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's combined financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis in the format required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the combined financial statements, nor was a separate report issued for federal financial assistance, since the required threshold of $500,000 or more in federal expenditures was not reached.

The combining financial statements 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated April 28, 2015, 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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
April 28, 2015

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP GENERAL	TOTALS
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	AGENCY FUNDS	LONG-TERM DEBT	(MEMORANDUM ONLY)
ASSETS							
Cash and investments	$ 653,078	160,014	(2,983)	98,818	56,180	-	965,107
Amounts available in debt service	-	-	-	-	-	98,818	98,818
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	1,361,940	1,361,940
Total Assets	$ 653,078	160,014	(2,983)	98,818	56,180	1,460,758	2,425,865
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	$ 57,526	-	-	-	5,995	-	63,521
Encumbrances	5,362	-	-	-	3,708	-	9,070
Unmatured obligations	-	-	-	85,489	-	-	85,489
Funds held for school organizations	-	-	-	-	40,395	-	40,395
Long-term debt:							
Bonds payable	-	-	-	-	-	410,000	410,000
Capital leases	-	-	-	-	-	1,050,758	1,050,758
Total liabilities	62,888	-	-	85,489	50,098	1,460,758	1,659,233
Fund Balances							
Restricted	-	160,014	(2,983)	13,329	6,082	-	176,442
Unassigned	590,190	-	-	-	-	-	590,190
Total fund balances (deficit)	590,190	160,014	(2,983)	13,329	6,082	-	766,632
Total Liabilities and Fund Balances	$ 653,078	160,014	(2,983)	98,818	56,180	1,460,758	2,425,865

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	EXPENDABLE TRUST	(MEMORANDUM ONLY)
Revenues collected:						
Local sources	$ 268,662	40,497	-	164,821	-	473,980
Intermediate sources	38,766	-	-	-	-	38,766
State sources	1,853,776	3,947	-	-	-	1,857,723
Federal sources	262,715	200,981	-	-	-	463,696
Total revenues collected	2,423,919	245,425	-	164,821	-	2,834,165
Expenditures:						
Instruction	1,463,603	-	-	-	21,770	1,485,373
Support services	732,118	49,591	9,250	-	7,544	798,503
Operation of non-instruction services	94,679	195,910	-	-	-	290,589
Facilities acquisition & construction services	135	35,668	315,750	-	-	351,553
Other outlays	-	-	-	164,067	-	164,067
Total expenditures	2,290,535	281,169	325,000	164,067	29,314	3,090,085
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	133,384	(35,744)	(325,000)	754	(29,314)	(255,920)
Adjustments to prior year encumbrances	10,004	156	-	-	-	10,160
Other financing sources (uses)						
Bond sales proceeds	-	-	325,000	-	-	325,000
Excess of revenues collected & other financing sources over (under) expenditures & other financing uses	143,388	(35,588)	-	754	(29,314)	79,240
Fund balances (deficit), beginning of year	446,802	195,602	(2,983)	12,575	35,396	687,392
Fund balances (deficit), end of year	$ 590,190	160,014	(2,983)	13,329	6,082	766,632

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND			SPECIAL REVENUE FUNDS			SINKING FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:									
Local sources	$ 233,176	233,176	268,662	41,747	41,747	40,497	151,492	151,492	164,821
Intermediate sources	33,749	33,749	38,766	-	-	-	-	-	-
State sources	1,778,671	1,778,671	1,853,776	3,620	3,620	3,947	-	-	-
Federal sources	100,923	100,923	262,715	166,304	166,304	200,981	-	-	-
Total revenues collected	2,146,519	2,146,519	2,423,919	211,671	211,671	245,425	151,492	151,492	164,821
Expenditures:									
Instruction	-	1,463,603	1,463,603	-	-	-	-	-	-
Support services	-	732,118	732,118	-	49,591	49,591	-	-	-
Operation of non-instruction services	-	94,679	94,679	-	195,910	195,910	-	-	-
Facilities acquisition & construction services	-	135	135	-	35,668	35,668	-	-	-
Other outlays	-	-	-	-	-	-	164,067	164,067	164,067
Unbudgeted	2,593,321	302,786	-	407,273	126,104	-	-	-	-
Total expenditures	2,593,321	2,593,321	2,290,535	407,273	407,273	281,169	164,067	164,067	164,067
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(446,802)	(446,802)	133,384	(195,602)	(195,602)	(35,744)	(12,575)	(12,575)	754
Adjustments to prior year encumbrances	-	-	10,004	-	-	156	-	-	-
Excess of revenues collected over (under) expenditures	(446,802)	(446,802)	143,388	(195,602)	(195,602)	(35,588)	(12,575)	(12,575)	754
Fund balances (deficit), beginning of year	446,802	446,802	446,802	195,602	195,602	195,602	12,575	12,575	12,575
Fund balances, end of year	$ -	-	590,190	-	-	160,014	-	-	13,329

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Twin Hills School District Number C-11, Okmulgee, Okmulgee County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting polices are described in the following notes that are an integral part of the District's financial statements.

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 state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statues.

The governing body of the District is the Board of Education (Board) composed of five 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 (GASB). 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 evaluation 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. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus

The accounts of the District are organized and operate on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

Governmental funds – are used to account for most of the District's general activities and general long-term debt account group, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. Expenditures include all costs associated with the daily operations of the schools expect for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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

Child Nutrition Fund – The Child Nutrition Fund consists of monies derived from local food sales and federal and state financial assistance. This fund is used to account for the various nutrition programs provided to students.

Capital Projects fund – consists of the District's Bond Fund and accounts for the proceeds of bonds sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment. The District had a deficit balance in this fund of ($2,983) due to over-expending.

Debt Service fund – consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Fiduciary funds – account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Expendable Trust Fund – consists of the District's Casualty and Flood Insurance Fund. This fund is used to account for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

Account Groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets.

General Long-term Debt Account Group – is used to account for the outstanding principal balances of 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.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State 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* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the financial statements.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statues govern the District's investment policy. 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 savings 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. Investments are stated at cost. The School District invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

6. Fixed Assets

The regulatory basis of accounting prescribed by the Oklahoma State Board of Education requires the presentation of fixed assets. The District has not maintained a record of its fixed assets, and, accordingly, a statement of fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

7. Compensated Absences

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statues, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

The District reports long-term debt at face value in the general long-term debt account group. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. Cash Balance Classifications

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and note receivables, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned* or *unassigned*, as appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The fund balance should be reported as committed for amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned Fund Balance – The fund balance should be reported as assigned for amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Property Taxes and Other Local 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. Property taxes are levied on November 1 and are due on receipt of the tax bill. 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 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

property. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

11. 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.

12. State Revenues

Revenues from state sources for current operations are primarily governed by 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.

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.

13. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating 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, such as the state. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

14. Non-Monetary Transactions

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

15. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

16. Resource Use Policy

It is the District's policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy when an expenditure is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the District considers committed amounts to be spent first followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - cont'd

Budgetary Information - cont'd

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 Funds of the District. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2014 the District held deposits of approximately $135,816 and investments of $839,000 at financial institutions. The District's cash deposits, including interest-bearing accounts and certificates of deposit, were entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. The District was not exposed to custodial credit risk, as defined above.

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

Investment Credit Risk

The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The investments held at June 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Donated Value
Investments:				
Certificates of deposit	1	N/A	$ 839,000	839,000

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

The District had no investment credit risk as of June 30, 2014, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2014, the District had no concentration of credit risk as defined above.

B. Long-term Debt

State statues 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. These bonds are required to be fully paid serially within 25 years from the date of issue. Debt Service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Additionally, the District has entered into lease purchase agreements for the purchase of land, a bus and a new activity center.

On July 1, 2011, the District issued building bonds Series B in the amount of $160,000 with interest rates ranging from 1.15% to 2.25%. Bond maturities began July 1, 2013 with a payment of $75,000, with the final maturity of $85,000 due July 1, 2014.

On August 1, 2013, the District issued building bonds in the amount of $325,000 with interest rates ranging from .70% to 1.00%. Bond maturities begin August 1, 2015 with a payment of $155,000, with the final maturity of $170,000 due August 1, 2016.

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

B. Long-term Debt – cont'd

Lease purchase primarily to construct, furnish and equip a new activity center, original issue $1,338,000 dated August 1, 2011, due in varying bi-yearly principal installments beginning September 1, 2013, with the final payment due September 1, 2019.

Lease purchase for a equipment for the new activity center, original issue of $100,863 with an interest rate of 4.0% dated August 13, 2012, due in varying principal and interest installments beginning August 13, 2013, with the final payment due August 13, 2015.

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	General Obligation Bonds & Capital Leases		Total Requirements
	Principal	Interest	
2015	$ 113,508	8,493	122,001
2016	480,750	3,880	484,630
2017	170,000	2,159	172,159
2018	340,750	1,190	341,940
2019	-	817	817
2020	355,750	408	356,158
Total	$ 1,460,758	16,947	1,477,705

Interest paid on general long-term debt during the current year totaled $17,734.

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

C. Changes in General Long-term Debt

General long-term debt consists of bonds payable and capital leases. The following is a summary of the changes in general long-term debt transaction of the District for the fiscal year:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Bonds	$ 275,000	325,000	190,000	410,000
Leases	1,427,015	-	376,257	1,050,758
Total	$ 1,702,015	325,000	566,257	1,460,758

4. OTHER INFORMATION

A. 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; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School participates in a risk pool for Worker's 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 School reports the required contribution to the pool, net of 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 schools 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.

4. OTHER INFORMATION – cont'd

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was $9,607.

D. Employee Retirement System and Plan

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. 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 System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

4. OTHER INFORMATION – cont'd

D. Employee Retirement System and Plan – cont'd

Funding Policy

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.00% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 8.25%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District's employer contribution rate was 9.50%. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions, including the state credit, for 2014, 2013 and 2012 were $244,118, $238,873 and $227,932, respectively.

E. Surety Bonds

The treasurer is bonded by the CNA Surety Company, bond number 71441660 for the penal sum of $100,000, term beginning July 23, 2013 and ending July 23, 2014.

The superintendent/activity fund custodian is bonded by the CNA Surety Company, bond number 71496766 term beginning January 24, 2014 and ending January 25, 2015.

The encumbrance/minutes clerk is bonded by CNA Surety Company, bond number 70828464 for the penal sum of $100,000, term beginning November 10, 2013 and ending November 10, 2014.

F. Subsequent Events

Subsequent events have been evaluated through April 28, 2015, which is the date the financial statements were available to be issued.

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2014

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
ASSETS			
Cash and investments	$ 137,450	22,564	160,014
LIABILITIES AND FUND BALANCES			
Liabilities			
Warrants payable	$ -	-	-
Fund Balances			
Restricted	137,450	22,564	160,014
Total Liabilities and Fund Balances	$ 137,450	22,564	160,014

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues collected:			
Local sources	$ 40,497	-	40,497
State sources	-	3,947	3,947
Federal sources	31,011	169,970	200,981
Total revenues collected	71,508	173,917	245,425
Expenditures:			
Support services	49,591	-	49,591
Operation of non-instruction services	-	195,910	195,910
Facilities acquisition & construction services	35,668	-	35,668
Total expenditures	85,259	195,910	281,169
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(13,751)	(21,993)	(35,744)
Adjustments to prior year encumbrances	156	-	156
Excess of revenues collected over (under) expenditures	(13,595)	(21,993)	(35,588)
Fund balances, beginning of year	151,045	44,557	195,602
Fund balances, end of year	$ 137,450	22,564	160,014

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	BUILDING FUND			CHILD NUTRITION FUND			TOTALS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:									
Local sources	$ 33,113	33,113	40,497	8,634	8,634	-	41,747	41,747	40,497
State sources	-	-	-	3,620	3,620	3,947	3,620	3,620	3,947
Federal sources	-	-	31,011	166,304	166,304	169,970	166,304	166,304	200,981
Total revenues collected	33,113	33,113	71,508	178,558	178,558	173,917	211,671	211,671	245,425
Expenditures:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	49,591	49,591	-	-	-	-	49,591	49,591
Operation of non-instruction services	-	-	-	-	195,910	195,910	-	195,910	195,910
Facilities acquisition & construction services	-	35,668	35,668	-	-	-	-	35,668	35,668
Unbudgeted	184,158	98,899	-	223,115	27,205	-	407,273	126,104	-
Total expenditures	184,158	184,158	85,259	223,115	223,115	195,910	407,273	407,273	281,169
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(151,045)	(151,045)	(13,751)	(44,557)	(44,557)	(21,993)	(195,602)	(195,602)	(35,744)
Adjustments to prior year encumbrances	-	-	156	-	-	-	-	-	156
Excess of revenues collected over (under) expenditures	(151,045)	(151,045)	(13,595)	(44,557)	(44,557)	(21,993)	(195,602)	(195,602)	(35,588)
Fund balance, beginning of year	151,045	151,045	151,045	44,557	44,557	44,557	195,602	195,602	195,602
Fund balance, end of year	$ -	-	137,450	-	-	22,564	-	-	160,014

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2014

	EXPENDABLE TRUST FUND	AGENCY FUND	
	INSURANCE RECOVERY FUND	ACTIVITY FUND	TOTAL
ASSETS			
Cash and investments	$ 15,785	40,395	56,180
LIABILITIES AND FUND BALANCES			
Liabilities			
Warrants payable	$ 5,995	-	5,995
Encumbrances	3,708	-	3,708
Funds held for school organizations	-	40,395	40,395
Total liabilities	9,703	40,395	50,098
Fund Balances			
Restricted	6,082	-	6,082
Total Liabilities and Fund Balances	$ 15,785	40,395	56,180

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

ASSETS	BALANCE 7-01-13	ADDITIONS	ADJUST/ TRANSFERS	DEDUCTIONS	BALANCE 6-30-14
Cash	$ 17,725	131,548	-	99,170	50,103
LIABILITIES					
Athletics	$ -	44,015	13,430	37,796	19,649
Cheer	-	912	(136)	387	389
Kindergarten	-	11,620	606	9,465	2,761
8th Grade	-	25,138	(3,587)	20,786	765
School Functions	-	38,798	4,696	30,159	13,335
Gifts/Donations	-	-	2,716	-	2,716
4-H	-	1,357		577	780
Activity fund	11,809	-	(11,809)	-	-
Lunch fund clearing	-	9,708	-	-	9,708
Gifts	1,200	-	(1,200)	-	-
Donations	4,716	-	(4,716)	-	-
TOTAL LIABILITIES	$ 17,725	131,548	-	99,170	50,103

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Approved Amount	Balance at July 1, 2013	Receipts	Expenditures	Balance at June 30, 2014
U.S. Department of Education:							
Direct Programs:							
Title VIII Impact Aid	84.041	591	$ -		32,698	-	32,698
Small Rural Schools	84.358A	588	22,327	-	-	6,986	15,341
Small Rural Schools 2012-13 carryover	84.358A	588	21,853	13,394	13,394	13,394	-
Sub Total			44,180	13,394	46,092	20,380	48,039
Passed Through State Department of Education:							
Title I	84.010	511	84,102	-	83,263	83,263	839
Title I 2012-13 - Note 1	84.010	799	-	-	14,527	-	-
Title VIB, Rural Education Achievement Program	84.358	586	19,969	-	19,953	19,953	16
Title VIB, Rural Education Achievement Program 2012-13 - Note 1	84.358	799	-	-	1,346	-	-
IDEA-B Flow Through	84.027	621	72,604	-	72,110	72,110	494
IDEA-B Flow Through 2012-13 - Note 1	84.027	799	-	-	14,830	-	-
IDEA-B Preschool	84.173	641	3,121	-	2,935	2,935	186
IDEA-B Preschool 2012-13 - Note 1	84.173	799	-	-	252	-	-
Sub Total			179,796	-	209,216	178,261	1,535
U.S. Department of Health and Human Services:							
Passed Through State Department of Human Services:							
Medical Assistance Program (medicaid)	93.778	698			27,204	2,671	24,533
U.S. Department of Agriculture:							
Passed Through State Department of Human Services:							
National School Lunch Program	10.555	763			120,058	120,058	-
National School Lunch Program - commodities - Note 2	10.555				9,607	9,607	-
School Breakfast Program	10.553	764			49,912	49,733	179
Sub Total					179,577	179,398	179

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Approved Amount	Balance at July 1, 2013	Receipts	Expenditures	Balance at June 30, 2014
Other Federal Assistance:							
Passed Through the Muscogee (Creek) Nation:							
Johnson O'Malley	15.130	563	$ 6,900	-	4,814	6,011	889
Johnson O'Malley 2012-13 - Note 1	15.130	799	-	-	6,400	-	-
Sub Total			6,900	-	11,214	6,011	889
Total Expenditures of Federal Awards - Note 3			$ 230,876	13,394	473,303	386,721	75,175

Note 1: These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2: This amount represents federal non-cash assistance received in the form of commodities.

Note 3: Commodities received in the amount of $9,607 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

WILSON, DOTSON & ASSOCIATES, P.L.L.C.
Certified Public Accountants
Members
American Institute of Certified Public Accountants Oklahoma Society of Certified Public Accountants

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*

The Honorable Board of Education
Twin Hills Public School No. C-11
Okmulgee 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 financial statements, regulatory basis, of Twin Hills Public School No. C-11, Okmulgee County, Oklahoma (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated April 28, 2015. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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. 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

This 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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
April 28, 2015

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

FINDINGS RELATED TO FINANCIAL REPORTING
FOR THE YEAR ENDED JUNE 30, 2014

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 13-1:

During our audit we observed that the District over-expended the cash balance of the bond fund by ($2,983) and the legally approved appropriations by ($94,157). This was the result of an incorrect amount of appropriations being used for this fund. We recommend that the District's records be monitored throughout the year to insure that only the legally approved appropriations are entered into the District's accounts payable software. We also recommend that the District seek advice on resolving the deficit cash balance in this fund.

Corrective Action:

The District monitored the accounts payable software in the current fiscal year and ensured that only the legally approved appropriations were input for each applicable fund. The cash balance of the bond fund still maintained a deficit balance of ($2,983) at June 30, 2014. This was because the District did not have sufficient time to take action, once they were notified of the deficit balance, before the end of the fiscal year.

Finding 13-2:

We observed during the audit that numerous purchase orders were not encumbered before all of the indebtedness was incurred. We recommend that purchase orders be filled out and recorded in the encumbrance ledger prior to initiating an order for goods or services, as required Oklahoma Statutes

Corrective Action:

The District hired two (2) individuals to perform the work that one (1) employee tried to do in the past. This has allowed the District to properly use the purchase order system, and purchase orders in the current fiscal year are being encumbered prior to indebtedness,

Finding 13-3:

The activity fund has not been accurately reconciled during the year, nor was the software properly used. We recommend that the activity fund personnel obtain the training necessary not only to use the existing software but to understand the overall process of activity fund accounting and reconciling.

Corrective Action:

The District hired two (2) individuals to perform the work that one (1) employee tried to do in the past. The activity fund has been accurately reconciled in the current fiscal year, and the transactions are being entered into the District's software as they occur.

TWIN HILLS SCHOOL DISTRICT NO. C-11
Okmulgee County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2014

State of Oklahoma)
)ss
County of Pottawatomie)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Twin Hills Public School for the audit year 2013-14.

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm

Pamela R. Dotson

by_____
Authorized Agent

Subscribed and sworn to before me this 28th day of April, 2015.

Lisa Cook

_____
Notary Public (Commission # 11002236)
My commission expires: March 10, 2019

LISA COOK
NOTARY PUBLIC – STATE OF OKLAHOMA
COMMISSION #11002236
My Commission Expires March 10, 2019
Bonded Through RLI Insurance Company