

CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. 53

OKLAHOMA COUNTY, OKLAHOMA

JUNE 30, 2014

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OKLAHOMA COUNTY, OKLAHOMA

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**CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014**

BOARD OF EDUCATION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Crooked Oak Independent School District #53
Oklahoma County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Crooked Oak Independent School District #53**, Oklahoma County, Oklahoma, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

As described in Note 1, the financial statements are prepared by **Crooked Oak Independent School District #53** Oklahoma County, Oklahoma, 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 **Crooked Oak Independent School District #53**, Oklahoma County, Oklahoma, 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 equity arising from regulatory basis transactions of each fund type and account group of **Crooked Oak Independent School District, #53**, Oklahoma County, Oklahoma as of June 30, 2014, and the revenues collected, expenditures paid/expenses, 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 **Crooked Oak Independent School District #53, Oklahoma County, Oklahoma’s** combined financial statements. The combining financial statements as 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements.

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 January 26, 2015, on our consideration of the **Crooked Oak Independent School District, #53, Oklahoma County, Oklahoma'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 Standard* in considering **Crooked Oak Independent School District, #53, Oklahoma County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma

January 26, 2015

COMBINED FINANCIAL STATEMENTS

Crooked Oak School District No. I-53, Oklahoma County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2014

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2014
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 2,414,389	\$ 969,036	\$ 1,187,719	\$ 1,322,706	\$ 71,056	\$ 0	\$ 5,964,906
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	1,187,719	1,187,719
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	3,027,281	3,027,281
Amounts to be Provided For Compensated Absences	0	0	0	0	0	63,236	63,236
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	8,004,463	8,004,463
Total Assets	\$ 2,414,389	\$ 969,036	\$ 1,187,719	\$ 1,322,706	\$ 71,056	\$ 12,282,699	\$ 18,247,605
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants Payable	\$ 281,859	\$ 23,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 304,932
Reserve for Encumbrances	283,707	33,639	0	18,927	0	0	336,273
Due to Activity Groups	0	0	0	0	71,056	0	71,056
General Obligation Bonds Payable	0	0	0	0	0	4,215,000	4,215,000
Compensated Absences Payable	0	0	0	0	0	63,236	63,236
Capitalized Lease Obligations Payable	0	0	0	0	0	8,004,463	8,004,463
Total Liabilities	\$ 565,566	\$ 56,713	\$ 0	\$ 18,927	\$ 71,056	\$ 12,282,699	\$ 12,994,960
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 1,187,719	\$ 0	\$ 0	\$ 0	\$ 1,187,719
Capital Projects	0	0	0	1,303,779	0	0	1,303,779
Building Programs	0	683,003	0	0	0	0	683,003
Child Nutrition Programs	0	229,321	0	0	0	0	229,321
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	1,848,824	(0)	0	0	0	0	1,848,824
Total Fund Balances	\$ 1,848,824	\$ 912,324	\$ 1,187,719	\$ 1,303,779	\$ 0	\$ 0	\$ 5,252,645
Total Liabilities and Fund Balances	\$ 2,414,389	\$ 969,036	\$ 1,187,719	\$ 1,322,706	\$ 71,056	\$ 12,282,699	\$ 18,247,605

The notes to the financial statements are an integral part of this statement.

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2014

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2014
Revenue Collected:					
Local Sources	\$ 2,117,876	\$ 268,912	\$ 1,188,962	\$ 0	\$ 3,575,750
Intermediate Sources	284,223	0	0	0	284,223
State Sources	4,930,840	49,107	0	0	4,979,948
Federal Sources	1,111,892	581,569	0	0	1,693,460
Non-Revenue Receipts	1,551	0	0	0	1,551
<i>Total Revenue Collected</i>	<u>\$ 8,446,382</u>	<u>\$ 899,588</u>	<u>\$ 1,188,962</u>	<u>\$ 0</u>	<u>\$ 10,534,932</u>
Expenditures Paid:					
Instruction	\$ 5,042,456	\$ 0	\$ 0	\$ 0	\$ 5,042,456
Support Services	3,964,434	108,874	0	1,273,733	5,347,041
Operation of Non-Instructional Services	2,067	599,027	0	0	601,094
Facilities Acquisition and Construction	0	0	0	457,117	457,117
Other Outlays	1,551	0	0	0	1,551
Other Uses	0	0	0	0	0
Repayments	84	0	0	0	84
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	12,600	0	12,600
<i>Total Expenditures Paid</i>	<u>\$ 9,010,592</u>	<u>\$ 707,901</u>	<u>\$ 12,600</u>	<u>\$ 1,730,850</u>	<u>\$ 11,461,943</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (564,210)</u>	<u>\$ 191,687</u>	<u>\$ 1,176,362</u>	<u>\$ (1,730,850)</u>	<u>\$ (927,011)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 267,689</u>	<u>\$ 16,025</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,715</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 2,789	\$ 0	\$ 0	\$ 0	\$ 2,789
Bond Proceeds	0	0	0	3,015,000	3,015,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 2,789</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,015,000</u>	<u>\$ 3,017,789</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (293,731)</u>	<u>\$ 207,713</u>	<u>\$ 1,176,362</u>	<u>\$ 1,284,150</u>	<u>\$ 2,374,493</u>
<i>Fund Balance - Beginning of Year</i>	<u>2,142,555</u>	<u>704,611</u>	<u>11,357</u>	<u>19,629</u>	<u>2,878,152</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,848,824</u>	<u>\$ 912,324</u>	<u>\$ 1,187,719</u>	<u>\$ 1,303,779</u>	<u>\$ 5,252,645</u>

The notes to the financial statements are an integral part of this statement.

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2014

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 1,805,583	\$ 1,805,583	\$ 2,117,876	\$ 263,335	\$ 263,335	\$ 268,912	\$ 1,205,443	\$ 1,205,443	\$ 1,188,962
Intermediate Sources	243,000	243,000	284,223	0	0	0	0	0	0
State Sources	4,957,920	4,957,920	4,930,840	8,500	8,500	49,107	0	0	0
Federal Sources	469,724	469,724	1,111,892	491,500	491,500	581,569	0	0	0
Non-Revenue Receipts	0	0	1,551	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 7,476,227</u>	<u>\$ 7,476,227</u>	<u>\$ 8,446,382</u>	<u>\$ 763,335</u>	<u>\$ 763,335</u>	<u>\$ 899,588</u>	<u>\$ 1,205,443</u>	<u>\$ 1,205,443</u>	<u>\$ 1,188,962</u>
Expenditures Paid:									
Instruction	\$ 9,618,782	\$ 9,618,782	\$ 5,042,456	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	3,964,434	783,422	783,422	108,874	0	0	0
Operation of Non-Instructional Services	0	0	2,067	684,524	684,524	599,027	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	1,551	0	0	0	1,216,800	1,216,800	12,600
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	84	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 9,618,782</u>	<u>\$ 9,618,782</u>	<u>\$ 9,010,592</u>	<u>\$ 1,467,946</u>	<u>\$ 1,467,946</u>	<u>\$ 707,901</u>	<u>\$ 1,216,800</u>	<u>\$ 1,216,800</u>	<u>\$ 12,600</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	<u>\$ (2,142,555)</u>	<u>\$ (2,142,555)</u>	<u>\$ (564,210)</u>	<u>\$ (704,611)</u>	<u>\$ (704,611)</u>	<u>\$ 191,687</u>	<u>\$ (11,357)</u>	<u>\$ (11,357)</u>	<u>\$ 1,176,362</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 267,689</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,025</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 2,789	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,789</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	<u>\$ (2,142,555)</u>	<u>\$ (2,142,555)</u>	<u>\$ (293,731)</u>	<u>\$ (704,611)</u>	<u>\$ (704,611)</u>	<u>\$ 207,713</u>	<u>\$ (11,357)</u>	<u>\$ (11,357)</u>	<u>\$ 1,176,362</u>
<i>Fund Balance - Beginning of Year</i>	<u>2,142,555</u>	<u>2,142,555</u>	<u>2,142,555</u>	<u>704,611</u>	<u>704,611</u>	<u>704,611</u>	<u>11,357</u>	<u>11,357</u>	<u>11,357</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,848,824</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 912,324</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,187,719</u>

The notes to the financial statements are an integral part of this statement.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Crooked Oak Public Schools Independent District No. 53, Oklahoma County, Oklahoma (the "District") have been prepared in conformity with an other 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.

1.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 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 (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 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. 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.B. Fund Accounting

The District uses 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, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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

1.B. Fund Accounting, Governmental Fund Types, (continued)

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).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund, Child Nutrition Fund, and Cooperative Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

3. 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.

4. Capital Projects Fund - The capital projects fund consists of the District's 2006-2013 building bond issues. These funds are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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

1.B. Fund Accounting, (continued)

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. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. 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.

1. Agency Funds - The Agency Fund is the School Activities 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, of collecting, disbursing and accounting for these activity funds.

Account Groups

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 not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used 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. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the 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 general purpose 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. Interfund eliminations have not been made in the aggregation of this data.

1.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 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 State Department of Education (OSDE) as follows:

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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

1.C. Basis of Accounting and Presentation, (continued)

- 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.

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.

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a 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.

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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

1.E. Assets, Liabilities and Fund Equity, (continued)

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 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.

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

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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.

Fund Balance - 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 notes receivable, 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.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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

1.E. Assets, Liabilities and Fund Equity, (continued)

Committed fund balance represents 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 represents 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 includes 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 purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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 education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2014:

			Carrying Value
Deposits			
Demand Deposits		\$	5,972,168
Time Deposits			0
Total Deposits		\$	5,972,168
Investments			
	Credit Rating	Maturity	Fair Value
			\$ 0
Total Investments			\$ 0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	5,964,906
Activity Fund Outstanding Checks			7,262
Total Deposits and Investments		\$	5,972,168

Custodial Credit Risk – Exposure to custodial credit 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 debt 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 was not exposed to custodial credit risk as defined above.

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.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 2 – Deposit and Investment Risk, (continued)

6. Money market funds regulated by the SEC and in which investments consist of the investments consist 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, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. 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 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 discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. 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 (any over 5 percent are disclosed). 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.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

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.

General long-term debt of the District consists of bonds payable, capital leases, and compensated absences.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2014:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2013	\$ 1,200,000	\$ 8,927,262	\$ 0	\$ 10,127,262
Additions	3,015,000	0	63,236	3,078,236
Retirements	0	(922,799)	0	(922,799)
Balance, June 30, 2014	<u>\$ 4,215,000</u>	<u>\$ 8,004,463</u>	<u>\$ 63,236</u>	<u>\$ 12,282,699</u>

A brief description of the outstanding general obligation bond issues at June 30, 2014, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2012 Building Bonds	0.70%	08-01-14	\$ 1,200,000	\$ 1,200,000
2013 Building Bonds	0.75%	08-01-15	1,465,000	1,465,000
2013 Building Bonds	.50-1.0%	11/01/18	1,550,000	1,550,000
Totals			<u>\$ 4,215,000</u>	<u>\$ 4,215,000</u>

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	Principal	Interest	Total
2012 Building Bonds			
2014-15	\$ 1,200,000	\$ 4,200	\$ 1,204,200
Total 2012 Bonds	<u>\$ 1,200,000</u>	<u>\$ 4,200</u>	<u>\$ 1,204,200</u>
2013 Building Bonds			
2014-2015	\$ 0	\$ 10,988	\$ 10,988
2015-2016	1,465,000	10,988	1,475,988
Total 2013 Bonds	<u>\$ 1,465,000</u>	<u>\$ 21,975</u>	<u>\$ 1,486,975</u>
2013 Building Bonds			
2014-2015	\$ 0	\$ 13,675	\$ 13,675
2015-2016	365,000	13,675	378,675
2016-2017	395,000	11,850	406,850
2017-2018	395,000	7,900	402,900
2018-2019	395,000	3,950	398,950
Total 2013 Bonds	<u>\$ 1,550,000</u>	<u>\$ 51,050</u>	<u>\$ 1,601,050</u>
Total Bonds	<u>\$ 4,215,000</u>	<u>\$ 77,225</u>	<u>\$ 4,292,225</u>

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 3 - General Long-term Debt, (continued)

Interest expense on bonds payable incurred during the current year totaled \$12,600.

District has entered into various lease agreements as lessee for financing the acquisition of a building and copiers. These lease agreements qualify as a capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease.

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Copiers	Building	Total
2015	\$ 21,600	\$ 1,397,589	\$ 1,419,189
2016	21,600	1,414,344	1,435,944
2017	21,600	1,422,890	1,444,490
2018	10,800	1,438,382	1,449,182
2019	0	1,450,868	1,450,868
2020	0	2,486,156	2,486,156
Total Minimum Lease Payments	\$ 75,600	\$ 9,610,229	\$ 9,685,829
Less: Amounts Representing Interest	(6,137)	(1,675,229)	(1,681,366)
Present Value of Future Minimum Lease Payments	<u>\$ 69,463</u>	<u>\$ 7,935,000</u>	<u>\$ 8,004,463</u>

Compensated Absences

The District will pay \$10.00 per day for unused sick leave of an employee who retires or terminated employment up to a maximum of 150 days. The liability for compensated absences as of June 30, 2014 is \$63,236.

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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. PERS provides retirement, disability and death benefits to plan members and beneficiaries. 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.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 4 - Employee Retirement System, (continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2014. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2014 and 2013 were \$547,906, \$478,773 respectively.

The compensation for employees covered by the System for the year ended June 30, 2014 was \$5,684,659 the District's total compensation was \$6,349,859. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.25% of compensation arising from federal grants \$65,440. There were \$350,307 contributions made by employees during the year ended June 30, 2014.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2013, is as follows:

Total pension obligation	\$ 18,973,166,739
Net assets available for benefits, at cost	<u>10,861,057,537</u>
Nonfunded pension benefit obligation	<u>\$ 8,112,109,202</u>

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2014

Note 6 – 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. The District had the following insurance coverage during the year: Commercial property - \$47,106,782; general liability - \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School 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 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 year. 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.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The Superintendent is bonded by RLI Insurance company bond #LSM0373835 for the penal sum of \$100,000 for the term July 1, 2013 to July 1, 2014.

The Treasurer is bonded by RLI Insurance company bond #LSM0400624 for the penal sum of \$100,000 for the term July 17, 2013 to July 17, 2014.

The Encumbrance clerk/Minutes clerk/Activity Fund custodian is bonded by RLI Insurance Company bond #LSM0372232 for the penal sum of \$10,000 for the period Jun 1, 2013 to June 1, 2014.

The Activity Account Clerk/Payroll Clerk, are bonded by Old Republic Surety Company bond #POB 1100372 for the penal sum of \$5,000 for the period July 1, 2013 to July 1, 2014.

OTHER SUPPLEMENTAL INFORMATION

***Crooked Oak School District No. I-53, Oklahoma County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2014***

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2014</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 715,790	\$ 253,247	\$ 969,036
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 715,790</u></u>	<u><u>\$ 253,247</u></u>	<u><u>\$ 969,036</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 5,844	\$ 17,229	\$ 23,073
Reserve for Encumbrances	<u>26,943</u>	<u>6,697</u>	<u>33,639</u>
<i>Total Liabilities</i>	<u><u>\$ 32,787</u></u>	<u><u>\$ 23,926</u></u>	<u><u>\$ 56,713</u></u>
Fund Balances:			
Restricted	<u>\$ 683,003</u>	<u>\$ 229,321</u>	<u>\$ 912,324</u>
<i>Total Fund Balances</i>	<u><u>\$ 683,003</u></u>	<u><u>\$ 229,321</u></u>	<u><u>\$ 912,324</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 715,790</u></u>	<u><u>\$ 253,247</u></u>	<u><u>\$ 969,036</u></u>

Crooked Oak School District No. I-53, Oklahoma County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2014

	Building Fund	Child Nutrition Fund	Total June 30, 2014
Revenue Collected:			
Local Sources	\$ 264,289	\$ 4,622	\$ 268,912
Intermediate Sources	0	0	0
State Sources	0	49,107	49,107
Federal Sources	0	581,569	581,569
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 264,289</u>	<u>\$ 635,298</u>	<u>\$ 899,588</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	108,874	0	108,874
Operation of Non-Instructional Services	0	599,027	599,027
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 108,874</u>	<u>\$ 599,027</u>	<u>\$ 707,901</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 155,416</u>	<u>\$ 36,271</u>	<u>\$ 191,687</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 16,025</u>	<u>\$ 16,025</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ 155,416	\$ 52,297	\$ 207,713
<i>Fund Balance - Beginning of Year</i>	<u>527,587</u>	<u>177,024</u>	<u>704,611</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 683,003</u></u>	<u><u>\$ 229,321</u></u>	<u><u>\$ 912,324</u></u>

Crooked Oak School District No.I-53, Oklahoma County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2014

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 255,835	\$ 255,835	\$ 264,289	\$ 7,500	\$ 7,500	\$ 4,622	\$ 263,335	\$ 263,335	\$ 268,912
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	8,500	8,500	49,107	8,500	8,500	49,107
Federal Sources	0	0	0	491,500	491,500	581,569	491,500	491,500	581,569
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 255,835</u>	<u>\$ 255,835</u>	<u>\$ 264,289</u>	<u>\$ 507,500</u>	<u>\$ 507,500</u>	<u>\$ 635,298</u>	<u>\$ 763,335</u>	<u>\$ 763,335</u>	<u>\$ 899,588</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	783,422	783,422	108,874	0	0	0	783,422	783,422	108,874
Operation of Non-Instructional Services	0	0	0	684,524	684,524	599,027	684,524	684,524	599,027
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 783,422</u>	<u>\$ 783,422</u>	<u>\$ 108,874</u>	<u>\$ 684,524</u>	<u>\$ 684,524</u>	<u>\$ 599,027</u>	<u>\$ 1,467,946</u>	<u>\$ 1,467,946</u>	<u>\$ 707,901</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (527,587)</u>	<u>\$ (527,587)</u>	<u>\$ 155,416</u>	<u>\$ (177,024)</u>	<u>\$ (177,024)</u>	<u>\$ 36,271</u>	<u>\$ (704,611)</u>	<u>\$ (704,611)</u>	<u>\$ 191,687</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,025</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,025</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (527,587)</u>	<u>\$ (527,587)</u>	<u>\$ 155,416</u>	<u>\$ (177,024)</u>	<u>\$ (177,024)</u>	<u>\$ 52,297</u>	<u>\$ (704,611)</u>	<u>\$ (704,611)</u>	<u>\$ 207,713</u>
<i>Fund Balance - Beginning of Year</i>	<u>527,587</u>	<u>527,587</u>	<u>527,587</u>	<u>177,024</u>	<u>177,024</u>	<u>177,024</u>	<u>704,611</u>	<u>704,611</u>	<u>704,611</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 683,003</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 229,321</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ 912,324</u></u>

***Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2014***

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 71,056
Investments	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 71,056</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>71,056</u>
<i>Total Liabilities</i>	<u>\$ 71,056</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 71,056</u></u>

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2014

ACTIVITIES	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ATHLETIC	\$ 817	\$ 31,113	\$ 31,363	\$ 567
BAND	4,588	4,184	5,027	3,745
SCHOLARSHIP FUND	1,000	0	215	785
SOFTBALL	498	411	898	11
ELEMENTARY	22,740	58,168	59,191	21,716
FCA	760	0	0	760
GENERAL	6,064	5,978	8,382	3,659
MS GENERAL	1,437	3,610	3,055	1,992
MS HONOR SOCIETY	467	0	0	467
CROOKED OAK LIBRARY	2,297	947	1,250	1,995
MS CHEERLEADERS	1,211	1,103	1,234	1,080
MS STUDENT COUNCIL	764	92	144	713
BOARD MONEY	36	0	36	0
HS GENERAL	450	264	80	634
HS HONOR SOCIETY	170	0	96	74
BUSINESS PROFESSIONAL	1,043	0	506	537
HS CHEERLEADERS	1,301	3,559	3,562	1,299
NEWSPAPER/ COMPUTER	1,030	0	0	1,030
SPECIAL LOYMPICS	8,697	17,346	16,645	9,399
YEARBOOK	0	2,489	2,489	0
COCA COLA FUND	819	350	838	332
CENTRAL OAK LIBRARY	1,566	5,690	5,849	1,406
FOOTBALL	982	0	748	234
BOYS BASKETBALL	774	135	414	495
HS STUCO	508	3,163	2,965	706
GIRLS BASKETBALL	564	100	157	507
VICE FAMILY SCHOLARSHIP	292	3,950	1,570	2,672
AFROTC FUND RAISING	3,874	37,235	35,860	5,249
BRICKTOWN BASH TOURN	666	0	549	118
BAND BOOSTERS CLUB	1,141	2,000	2,127	1,015
SOCCER	495	425	920	0
MS/ HS ART FUND	238	0	0	238
ROBOTICS TEAM	115	0	0	115
	293	0	293	0
HS SPANISH CLUB	302	1,180	120	1,362
CLASS OF 2014	1,690	2,690	4,377	2
CLASS OF 2015	0	4,810	1,954	2,856
COPS ALUMNI	3,947	0	765	3,182
INTERNATIONAL TRIPS	481	442	923	0
SOFTBALL BOOSTERS	0	135	30	105
Total Activities	\$ <u>74,116</u>	\$ <u>191,568</u>	\$ <u>194,628</u>	\$ <u>71,056</u>

CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. 53 OKLAHOMA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass- Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2013	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2014	Indirect Costs Included In Federal Grant Expenditures
U.S. Department of Defense							
Direct Programs:							
ROTC	12.357	771	0	46,492	50,751	(4,260)	0
Total U.S. Department of Defense			0	46,492	50,751	(4,260)	0
U.S. Department of Education							
Direct Programs:							
Title VII-Indian Education	84.060A	561	(14,216)	36,457	29,977	(7,736)	0
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511	(127,201)	526,073	484,263	(85,391)	27,252
Title I, School Support	84.010	515	(9,600)	101,855	116,956	(24,701)	0
Title II, Part-Transferability (Note 3)	84.367	511/541	0	16,410	16,410	0	0
Title I Cluster			(136,801)	644,338	617,629	(110,092)	27,252
IDEA-B Flowthrough	84.027	621	(54,759)	232,038	219,746	(42,467)	0
IDEA-B Preschool	84.173	641	(1,592)	5,635	5,609	(1,566)	0
Special Education Cluster			(56,351)	237,673	225,355	(44,033)	0
Title II, Part A	84.367	541	(12,187)	62,169	56,892	(6,910)	3,085
Title III, Part A-Language Inst	84.365	572	(32,885)	65,479	40,811	(8,217)	0
Passed Through Oklahoma Department of Vocational Education							
Carl Perkins	84.008	421	0	18615	18615	0	
Total U.S. Department of Education			(252,439.52)	1,064,730	989,280	(176,989)	30,337
U.S. Department of Human Services							
Passed through Oklahoma Health Care Authority:							
Medicaid Resources	93.778	698	0	670	670	0	0
Total U.S. Department of Human Services			0	670	670	0	0
U.S. Department of Agriculture							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	29,293	112,943	85,902	56,334	0
Lunch Program	10.555	763	193,608	431,568	419,017	206,159	0
Summer Food Program	10.559	766	(1,448)	7,005	7,005	(1,448)	0
Fresh Fruit/Vegetables	10.582	768	0	30,053	29,943	110	0
Passed Through State Department of Human Services							
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	36,832	36,832	0	0
Child Nutrition Cluster			221,452	618,401	578,699	261,155	0
Total U.S. Department of Agriculture			221,452	618,401	578,699	261,155	0
TOTAL FEDERAL ASSISTANCE			(30,987)	1,730,293	1,619,400	79,906	30,337

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - The District transferred \$16,410 of the Title II allocation to the Title I program.

**INDEPENDENT AUDITOR'S 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
Crooked Oak Independent School District #53
Oklahoma County, Oklahoma

Board Members:

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, of **Crooked Oak Independent School District #53**, Oklahoma County, Oklahoma, 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 January 26, 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 **Crooked Oak Independent School District #53**, Oklahoma County, Oklahoma's (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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2014-1 through 2014-9)

Compliance and Other Matters

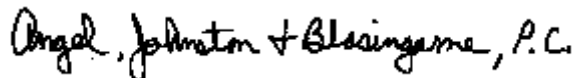
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

Crooked Oak Independent School District #53, Oklahoma's, Response to Findings

Crooked Oak Independent School District #53, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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.



Chickasha, Oklahoma
January 26, 2015



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Board of Education
Crooked Oak Independent School District #I-53
Oklahoma County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Crooked Oak Independent School District #I-53**, Oklahoma County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Crooked Oak Independent School District, I-53** Oklahoma County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred 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, **Crooked Oak Independent School District #I-53**, Oklahoma County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

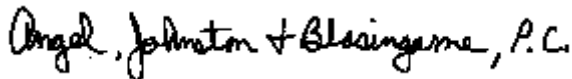
Report on Internal Control Over Compliance

Management of 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.



Chickasha, Oklahoma
January 26, 2015

Crooked Oak ISD No.53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? ☐ Yes ☒ No

Significant Deficiencies identified not considered to be material weaknesses? ☒ Yes ☐ None
Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Type of auditor's report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:

Material Weakness(es) identified? ☐ Yes ☒ No

Significant Deficiencies identified not considered to be material weaknesses? ☐ Yes ☒ None
Reported

Audit Findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ☐ Yes ☐ No

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

Auditee Qualified as low-risk auditee under OMB Circular A-133 Section 530? ☐ Yes ☐ No

Identification of Major Programs:

CFDA#

10.553	Child Nutrition – Breakfast
10.555	Child Nutrition – Lunch
10.559	Child Nutrition – Summer Food Program
10.582	Fresh Fruit/Vegetables
84.010	Title I, Cluster

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2014

Findings-Financial Statement Audit

2014-1 - Finding

Statement of Condition – The District pays a “Holiday” stipend to support staff based upon their negotiated agreement. The board signs an extra duty contract that reflects the amount of the stipend. Section 10 – Holidays of the negotiated agreement states:

- A. Support employees shall not be scheduled for work on the following holidays: Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, New Year’s Day, and Martin Luther King Day.
- B. Employees shall receive full pay for each of these days which occur within their contract period.

While most support staff should qualify for this stipend (because it is not part of their regular scheduled paid days), it appears 12 month support employees are being paid double for this time. Their contracts are already for 2080 hours (52 weeks * 5 days/week * 8 hours/day). Thus, they are already being paid for these holidays.

Criteria - Employees should not be paid more than the amount of their contract or negotiated agreement.

Cause/Effect of Condition – There was some confusion because of the wording of the negotiated agreement causing the 12 month support employees to be paid double for these holidays.

Recommendation – The District should determine whether the stipends should be allowed to support employees that are paid on a 2080 hour contract. If they determine that it is allowed, we recommend the negotiated agreement be changed to better reflect what is happening.

2014-2 - Finding

Statement of Condition - The Finance Director/Payroll Clerk paid herself the "Holiday" stipend for the 2013-14 year but the employment file did not have a signed extra duty contract for it. In addition, she paid herself for the stipend for the prior year. The total amount paid was \$2,562.74.

However, the Finance Director is paid on a "Non-Certified Administrator's Contract" instead of a support personnel contract. And her position is not listed in the negotiated agreement. Thus, it appears her position does not fall within the negotiated agreement for support personnel

Criteria – Employees should only be paid what is approved by the negotiated agreement criteria for their specific job title. Also, amounts should not be paid in excess of what is approved by the board of education secured by a signed contract.

Cause/Effect of Condition – The payroll clerk was not using the correct negotiated agreement criteria for her salary and did not secure a signed contract and was therefore overpaid.

Recommendation – The Finance Director should not make any payments that are not supported by proper documentation. Also, the District should determine whether the Finance Director has been overpaid and request reimbursement as deemed necessary. They may also want to seek legal advice on whether any additional steps should be taken in regards to the payment of this stipend.

2014-3 - Finding

Statement of Condition : The District is paying an employee who did not work any days in the 2013-14 year due to medical leave and who had exhausted all of his sick and personal days. The Superintendent stated that the reason for the continued payments was that the employee's life insurance had lapsed due to the negligence of District employees. He stated that they were trying to be fair with the employee during a time of need.

Criteria – Employees should be paid only for days worked based on a signed contract by the employee and the board of education.

Cause/Effect of Condition – The school was trying to be fair to the employee during his time of need.

Recommendation – The District should follow its sick leave policy for all covered employees. The District should also contact legal counsel with regards to how to proceed.

2014-4 - Finding

Statement of Condition - The District did not have an employment contract for one support staff and the employee's file did not have any documentation of how the amount was calculated. The Financial Director/Payroll Clerk stated that the amount was given to her verbally.

Criteria – Oklahoma State Statutes require payments in excess of \$500 to an employee be executed on a contract approved and signed by the board of education.

Cause/Effect of Condition – The school was not following the policies outlined in Oklahoma State Statutes for executing signed contracts so there is no documentation to prove that this is the amount the board of education intended to pay.

Recommendation – We recommend that employees only be paid based upon a signed contract.

2014-5 - Finding

Statement of Condition - The District did not pay federal matching teacher retirement on salaries charged to federal programs (project codes 763, 764 and 766) in the Child Nutrition Fund. We estimate the underpayment of the federal matching to be approximately \$14,335.

Criteria – The teacher retirement system requires the school to pay an 8.25% matching contribution on salaries paid with federal funds.

Cause/Effect of Condition - The District did not have these federal project codes setup to withhold the proper amount of federal matching teacher retirement, therefore, teacher retirement was underpaid.

Recommendation – The District should contact teacher retirement to discuss how to remit the underpaid amounts. In addition, the District needs make sure its software is setup correctly to properly withhold teacher retirement in the future.

2014-6 - Finding

Statement of Condition - The supervisor's signature space on timesheets is usually left blank. In order to ensure time records are accurate, a supervisor should verify the time worked and then sign the timesheet.

Criteria – Internal control procedures require signatures on time records to verify time was actually worked.

Cause/Effect of Condition - Internal control procedures are not being followed. Employees could be paid for hours not actually worked.

Recommendation – Policies should be enforced that require time sheets to be signed by the employee and a supervisor, to verify time was actually worked.

2014-7 - Finding

Statement of Condition - The June Balance Sheet prepared by the treasurer was off by \$7,989.92. It appeared that two Building Fund warrants (#25 and #26) had cleared the bank but were still on the outstanding list. Upon further discussion, the treasurer said that the warrants were originally paid from a bond fund but they discovered that there weren't enough monies left in the bond fund to make the payment. So they moved them to the Building Fund even though the original bond fund warrants had actually cleared the bank.

Criteria – Care should be taken to ensure that the schools records reconcile to the bank at the end of each of month.

Cause/Effect of Condition - After further discussions, we determined that the treasurer does not use the District's Municipal Accounting Software to reconcile to the bank. She prepares a manual spreadsheet to reconcile. It appears that if the District's software had been used for the reconciliation, the error could have been caught.

Recommendation – We recommend the treasurer prepare a bank reconciliation using the District's accounting software.

2014-8 - Finding

Statement of Condition - Most of the invoices tested in all funds including the Activity Fund did not have the signature of the person who inspected the goods/services to verify payment could be made.

Criteria – Internal control procedures require a signature verifying the goods and or services were actually received and in good working order.

Cause/Effect of Condition – Employees were not following internal control procedures, therefore, payments could be made for goods or services not actually received or weren't in good working condition.

Recommendation – Prior to payment being made, we recommend a signature be required on an invoice to certify that the goods/services were received in good condition.

2014-9 Finding

Statement of Condition – Activity Fund deposits for the AFROTC candy bar fundraiser were not made timely.

Criteria – Oklahoma State Statutes required deposits be made daily if over \$100, but never less than once a week.

Cause/Effect of Condition – Sponsors did not turn money in daily to the person in charge of depositing money. This increases the risk of loss or theft of money.

Recommendation – We recommend sponsors be required to turn money in daily to the person in charge of taking the money to the bank.

Findings and Questioned Costs – Major Federal Award Programs Audit

(None Reported)

Crooked Oak ISD No. 53, Oklahoma County
Disposition of Prior Year Audit Findings
For Year Ended June 30, 2014

2013-1 - Finding

Statement of Condition – The district did not prepare employee contracts for most of its employees.

Criteria – Annual employee contracts should be used to establish an understanding of the responsibilities of both the employee and the district including the rate of pay. Extra duty contracts should be used for items not included on the original contract.

Cause/Effect of Condition – The district failed to prepare employee contracts due to turnover of payroll personnel. Lack of employee contracts could lead to employees being paid inaccurate amounts of pay.

Recommendation – We recommend the district prepare employee contracts for both certified and support personnel annually and extra duty contracts be prepared for items not included on the original contract. Further, we recommend the contracts be signed by the employee, the Superintendent and a representative of the board.

Current Status – This was corrected for the 2013-14 year. (but see Findings 2014-1 & 2014-4)

2013-2 - Finding

Statement of Condition – One employee was paid a \$10,000 extra duty stipend instead of the approved \$1,000 amount due to an input error (overpaid \$9,000).

Criteria – Employees should be paid the appropriate amount of stipends.

Cause/Effect of Condition – An input error was made but the district had no procedure to have payroll cross-checked by another employee.

Recommendation – Payroll calculations should be cross-checked by another employee.

Current Status – This was not noted during the 2013-14 audit.

2013-3 - Finding

Statement of Condition – District supervisors are allowed discretion in establishing the pay step to start new support staff. The step is verbally communicated to the payroll clerk

Criteria – Pay criteria should be established by someone outside of the payroll department. Written documentation of pay steps should be provided to the payroll clerk and maintained as part of the payroll records.

Cause/Effect of Condition – Lack of control over pay steps could allow an employee to be paid inaccurate amounts.

Recommendation – If discretion is allowed for establishing the starting pay step, we recommend the supervisor provide written documentation to the payroll clerk setting the pay step and the criteria used to determine it. This documentation should be maintained with the other payroll records.

Current Status – We noted one occurrence during the 2013-14 year. (See Finding 2014-4)

2013-4 - Finding

Statement of Condition – Although time records are usually maintained for support staff, we did note the following errors: time records are not always maintained for extra duty items paid to support staff, time records were not always signed by a supervisor, and time records could not be located for a few specific payments that we tested.

Criteria – The Fair Labor Standards Act requires employers to maintain time records for all non-exempt employees to document that they were paid at least the minimum wage rates and that they were paid 1 ½ their normal rate for all hours worked in excess of a 40 hour work week.

Cause/Effect of Condition – Lack of understanding of the FLSA could put the district at risk in situations where an employee files a grievance against the district.

Recommendation – The district should maintain time records for all non-exempt employees including any extra duty time. The time records should be signed by both the employee and the supervisor.

Current Status – This was improved in some areas, however, time records were not always signed by a supervisor. (See Finding 2014-6)

2013-5 - Finding

Statement of Condition – The sick leave/vacation leave information maintained in the district's software doesn't appear to be accurate. Several employees showed more sick leave than the maximum allowed and the payroll clerk has had to override the system amounts with manual calculations since midyear. She has started the process of determining the correct amounts and updating the system but it is only partially complete.

In addition, the district does not appear to have a good system of tracking sick leave including matching substitute teacher requests to sick leave data.

Criteria – The district must maintain accurate sick leave/vacation leave records to ensure that employees accrue the correct amount.

Cause/Effect of Condition – Inaccurate sick leave/vacation leave records can lead to the district overpaying or underpaying employees.

Recommendation – The payroll clerk should review and update the current balance of sick/vacation leave accounts. She should also check the amounts accrued for each employee to ensure the future balances are correct. In addition, the district needs to review its procedures to ensure all time taken off is accounted for through the system. The procedures should include steps to match time off to substitute payments.

Current Status – The District is still working on correcting sick leave records.

2013-6 - Finding

Statement of Condition – 6 of 27 purchases tested in the activity fund had invoices dated before the purchase requisition. Thus, it appears the items were purchased before the purchase was approved.

Criteria – Activity fund purchases should not be made before they are approved.

Cause/Effect of Condition – Not following purchasing procedures could result in the district purchasing items that are not needed. In addition, it could result in an activity fund sub-account not having adequate funds to cover the purchase.

Recommendation – Before a purchase is made, the sponsor should prepare a purchase requisition and have it approved by the activity fund custodian.

Current Status – This was improved during the 2013-14 year.

2013-7 - Finding

Statement of Condition – Sponsors are not issuing pre-numbered receipts for monies they collect. Thus, we were not able to trace receipts from the point of collection through to the deposit. In addition, we were not able to verify that sponsors were turning in money in a timely manner.

Criteria – State Department of Education regulations require pre-numbered receipts be issued for collections. In addition, Oklahoma law requires monies be deposited on a daily basis if it is more than \$100 but never less than within a week.

Cause/Effect of Condition – Not following receipting procedures could result in collections not being deposited or not being deposited timely.

Recommendation – We recommend the district's sponsors issue pre-numbered receipts whenever monies are collected. Receipts should then be deposited on a timely basis.

Current Status – This was corrected during the 2013-14 year.

2013-8 - Finding

Statement of Condition – The district did not issue prenumbered tickets for admissions to events nor did they prepare a reconciliation of tickets sold to collections. In addition, the district did not have any procedures to ensure all concession stand proceeds were deposited.

Criteria – Oklahoma law states prenumbered tickets should be used for admissions in order to establish internal control. All tickets not sold by the gate keeper should be accounted for at the end of each event and a written reconciliation made of tickets sold to actual monies collected. Reconciliation documents should be filed in date order as part of the documentation for the School Activity Fund.

Cause/Effect of Condition – Not establishing good internal controls could result in monies not being accounted for in the financial statements.

Recommendation – The district should issue prenumbered tickets for all gate admissions and a reconciliation of tickets to money collected should be prepared and signed by at least two gate workers before the money is removed. In addition, concession workers should prepare a collections form and sign it before the monies are removed.

Current Status – This was corrected during the 2013-14 year.

2013-9 Finding

Statement of Condition – The outstanding encumbrance amount was changed several times after June 30, but before the OCAS data was finalized. This included adding encumbrances and reducing/deleting encumbrances.

Criteria – The outstanding encumbrance amount on June 30 should be the total of unpaid payroll and purchase orders as of June 30. The list should be reviewed and finalized at that time using the districts best estimates. Then the amount should not be changed. A warrant can be issued, but the balance of the purchase order should not be closed until after the OCAS data is certified.

Cause/Effect of Condition –When encumbrances are added or deleted after June 30, it changes the total expenditures and fund balance. It appears the encumbrance clerk was not aware of this requirement.

Recommendation – The amount encumbered as of June 30 should not be changed until the OCAS data has been certified.

Current Status – This was corrected during the 2013-14 year.

Findings and Questioned Costs – Major Federal Award Programs Audit**2013-10 - Finding**

Statement of Condition – As of January 28, 2014, the district's 2011-12 audit report was not listed on the Federal Audit Clearinghouse website.

Criteria – As part of the A-133 (Single Audit) requirements for entities that have over \$500,000 of federal expenditures in a year, a copy of the annual audit is required to be filed with the Federal Audit Clearinghouse within 9 months of year end (March 31st).

Cause/Effect of Condition – Not following federal requirements could result in the district's federal funding being withheld.

Recommendation – The district should make sure a copy of its 2011-12 audit report is filed with the Federal Audit Clearinghouse as soon as possible.

Current Status – This was corrected for the 2013-14 year.

2013-11 - Finding

Statement of Condition – The district did not maintain “Time and Effort” certifications for its Title I program.

Criteria – Federal funding requires “Time and Effort” certifications be prepared for personnel paid from federal programs.

Cause/Effect of Condition – Federal funding could be reduced or withheld until the certification process is completed.

Recommendation – The district should obtain the required “Time and Effort” certifications for personnel paid from federal programs.

Current Status – This was corrected for the 2013-14 year.

OTHER INFORMATION

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2014

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on 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" at the time of audit contract and during the entire audit engagement with *Crooked Oak Independent School District* for the audit year 2013-14.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2015.

Notary Public

My Commission Expires 07-01-2018

SCHOOL'S CORRECTIVE ACTION PLAN

Crooked Oak Public Schools

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Crooked Oak Public School District Oklahoma County

Audit Findings Corrective Action Plan

Audit Year 2013-2014

AUDIT FINDING REFERENCE NUMBER: 2014-1

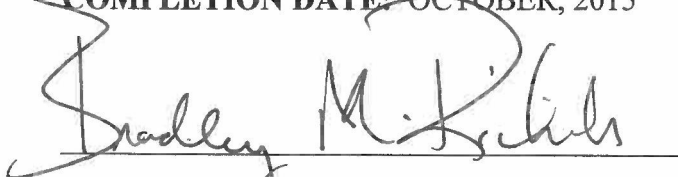
DESCRIPTION OF FINDING: The District pays a "Holiday" stipend to support staff based upon their negotiated agreement. The boards signs an extra duty contract that reflects the amount of the stipend. Section 10 – Holidays of the negotiated agreement states:

- A. Support employees shall not be scheduled for work on the following holidays: Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, New Years Day, and Martin Luther King Day.
- B. Employees shall receive full pay for each of these days which occur within their contract period.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: Changes to the negotiated agreement will be taken to the support group for ratification. This agreement is voted on in August or September. The superintendent will go through the terms of the agreement and make the necessary changes for ratification.

COMPLETION DATE: OCTOBER, 2015



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Audit Findings Corrective Action Plan

Audit Year 2013-2014

AUDIT FINDING REFERENCE NUMBER: 2014-2

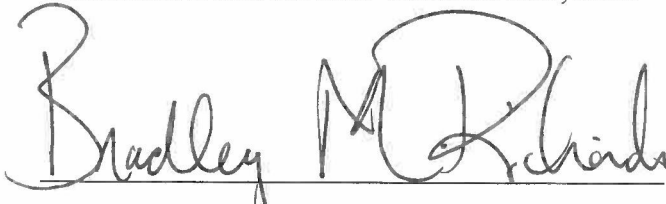
DESCRIPTION OF FINDING: The Finance Director/Payroll Clerk paid herself the "Holiday" stipend for the 2013-2014 year but the employment file did not have a signed extra duty contract for it. In addition, she paid herself for the stipend for the prior year. The total amount paid as \$2,562.74

However, the Finance Director is paid on a "Non-Certified Administrator's Contract instead of a support personnel contract. And her position is not listed on the negotiated agreement. This it appears her position does not fall within the negotiated agreement for support personnel.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: Terms of the contract for the Finance Director have been noted to the individual in that position. This stipend will be suspended immediately. The district will not seek compensation.

COMPLETION DATE: FEBRUARY, 2015

A handwritten signature in black ink, reading "Bradley M. Richards". The signature is written in a cursive style with a large, looped initial "B".

Bradley M. Richards, Superintendent

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Audit Findings Corrective Action Plan

Audit Year 2013-2014

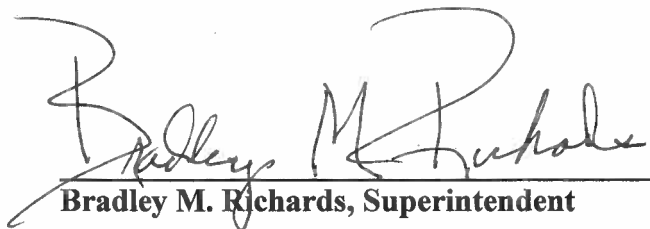
AUDIT FINDING REFERENCE NUMBER: 2014-3

DESCRIPTION OF FINDING: The District is paying an employee who did not work any days in the 2013-14 year due to medical leave and who had exhausted all of his sick and personal days. The superintendent stated that the reason for the continued payments was that the employee's life insurance had lapsed due to the negligence of a District employee. He stated that they were trying to be fair with the employee during a time of need.

CONTACT PERSON: Bradley M. Richards

STEPS IMPLEMENTED: The District has seeked legal counsel on this matter. The District is in the process of settling this legally.

COMPLETION DATE: PENDING



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Audit Findings Corrective Action Plan

Audit Year 2013-2014

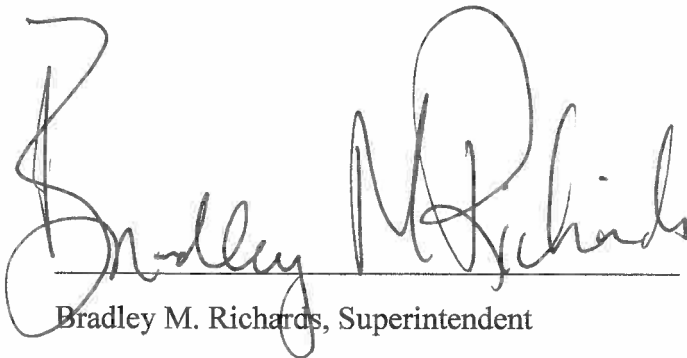
AUDIT FINDING REFERENCE NUMBER: 2014-4

DESCRIPTION OF FINDING: The District did not have an employment contract for one support staff and the employee's file did not have any documentation of how the amount was calculated. The Financial Director/Payroll Clerk stated that the amount was given to her verbally.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: The District has taken steps to be sure all employees have a signed contract with written instructions on how the employee's pay scale was achieved.

COMPLETION DATE: OCTOBER 2014



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Audit Findings Corrective Action Plan

Audit Year 2013-2014

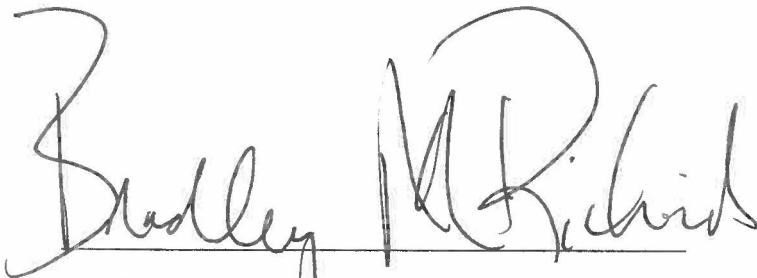
AUDIT FINDING REFERENCE NUMBER: 2014-5

DESCRIPTION OF FINDING: The District did not pay federal matching teacher retirement on salaries charged to federal programs (project codes 763, 764, and 766) in the Child Nutrition Fund.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: The District has implemented the changes in payroll to have the coding set up correctly to properly withhold teacher retirement.

COMPLETION DATE: SEPTEMBER 2014



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Audit Year 2013-2014

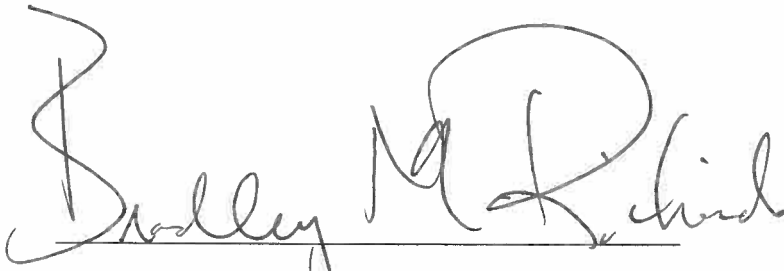
AUDIT FINDING REFERENCE NUMBER: 2014-6

DESCRIPTION OF FINDING: The supervisor's signature space on timesheets is usually left blank. In order to ensure time records are accurate, a supervisor should verify the time worked and then sign the timesheet.

CONTACT PERSON: Dennis Berry, Dir of Operations

STEPS IMPLEMENTED: All timesheets are now directed to the supervisor before coming to payroll. The payroll clerk has been instructed not to pay from a time sheet that has not been supervisor approved.

COMPLETION DATE: December, 2014



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Audit Findings Corrective Action Plan

Audit Year 2013-2014

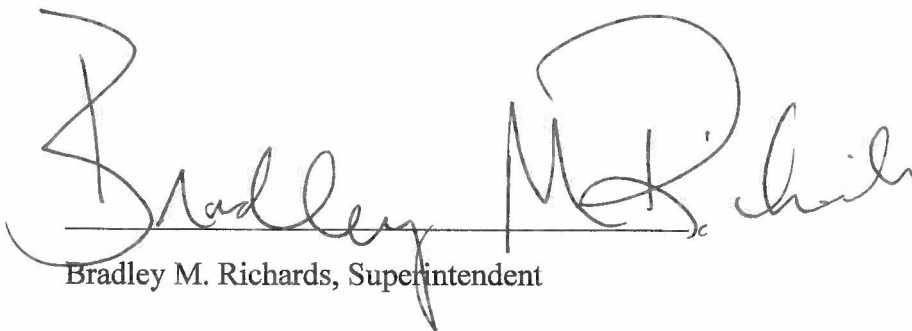
AUDIT FINDING REFERENCE NUMBER: 2014-7

DESCRIPTION OF FINDING: The June Balance Sheet prepared by the treasurer was off by \$7,989.92. It appeared the two Building Fund warrants (#25 and #26) had cleared the bank but were still on the outstanding list. Upon further discussion, the treasurer said that the warrants were originally paid from a bond fund but they discovered that there weren't enough monies left in the bond fund to make the payment. So they moved them to the Building Fund even though the original bond fund warrants had actually cleared the bank.

CONTACT PERSON: Tammy Thele

STEPS IMPLEMENTED: Error was discovered after the fact and steps were taken to correct. The treasurer and encumbrance clerk are now reviewing expenditures each month to ensure that warrants are coming from correct funds. Steps are in place to monitor bond fund balances so warrants issued are not issued improperly.

COMPLETION DATE: September, 2014



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Audit Findings Corrective Action Plan

Audit Year 2013-2014

AUDIT FINDING REFERENCE NUMBER: 2014-8

DESCRIPTION OF FINDING: Most of the invoices tested in all funds, including Activity Fund, did not have the signature of the person who inspected the goods/services to verify payment could be made.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: All invoices entered for payment will be verified by the encumbrance clerk as to amount and receipt of items. The dept or individual who ordered the items will be contacted or will initial the invoice as to receipt.

COMPLETION DATE: August, 2014

A handwritten signature in black ink, appearing to read "Bradley M. Richards". The signature is fluid and cursive, with a large loop at the end.

Bradley M. Richards, Superintendent

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Audit Year 2013-2014

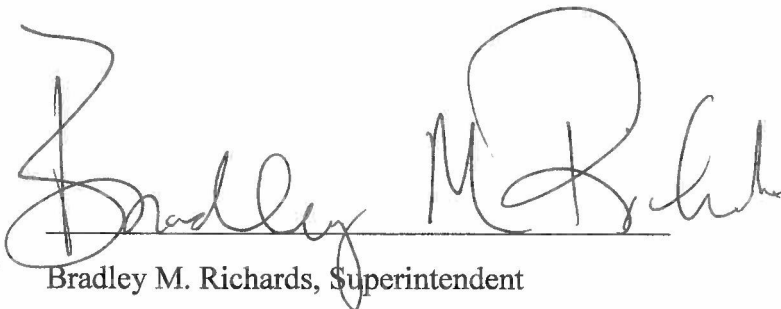
AUDIT FINDING REFERENCE NUMBER: 2014-9

DESCRIPTION OF FINDING: Activity fund deposits for the AFJROTC candy bar fundraiser were not made timely.

CONTACT PERSON: Linda Grange

STEPS IMPLEMENTED: A new activity fund sponsor was put in place for the 2014-2015 school year for the AFJROTC. He was instructed on how to handle deposits in a timely manner.

COMPLETION DATE: August, 2014



Bradley M. Richards, Superintendent