

LUTHER INDEPENDENT SCHOOL DISTRICT NO. 3
OKLAHOMA COUNTY, OKLAHOMA
JUNE 30, 2015

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LUTHER INDEPENDENT SCHOOL DISTRICT NO. 1-3, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

BOARD OF EDUCATION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Luther Independent School District #3
Oklahoma County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Luther Independent School District #3**, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2015, 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 discussed in Note 1, the financial statements are prepared by **Luther Independent School District #3** 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 **Luther Independent School District #3**, Oklahoma County, Oklahoma, as of June 30, 2015, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of **Luther Independent School District, #3**, Oklahoma County, Oklahoma as of June 30, 2015, 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 **Luther Independent School District #3, Oklahoma County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 basic financial statements.

The combining financial statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 8, 2016, on our consideration of the **Luther Independent School District, #3, 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 **Luther Independent School District, #3, Oklahoma County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnson + Blessingame, P.C.

Chickasha, Oklahoma
January 8, 2016

COMBINED FINANCIAL STATEMENTS

Luther School District No.1-3, Oklahoma County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2015

	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, 2015
ASSETS							
Cash and Cash Equivalents	\$ 1,155,449	\$ 262,596	\$ 448,727	\$ 179,948	\$ 79,927	\$ 0	\$ 2,126,648
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	448,727	448,727
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,531,273	1,531,273
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	10,614,450	10,614,450
Amounts to be Provided For Compensated Absences	0	0	0	0	0	77,621	77,621
Total Assets	\$ 1,155,449	\$ 262,596	\$ 448,727	\$ 179,948	\$ 79,927	\$ 12,672,071	\$ 14,798,719
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 741,531	\$ 91,121	\$ 0	\$ 45,665	\$ 0	\$ 0	\$ 878,318
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	79,927	0	79,927
General Obligation Bonds Payable	0	0	0	0	0	1,980,000	1,980,000
Contributions Due to Other Districts	0	0	194,309	0	0	0	194,309
Capitalized Lease Obligations Payable	0	0	0	0	0	10,614,450	10,614,450
Compensated Absences Payable	0	0	0	0	0	77,621	77,621
Total Liabilities	\$ 741,531	\$ 91,121	\$ 194,309	\$ 45,665	\$ 79,927	\$ 12,672,071	\$ 13,824,624
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 254,418	\$ 0	\$ 0	\$ 0	\$ 254,418
Capital Projects	0	0	0	134,283	0	0	134,283
Building Programs	0	102,475	0	0	0	0	102,475
Child Nutrition Programs	0	69,000	0	0	0	0	69,000
Unassigned	413,918	0	0	0	0	0	413,918
Total Fund Balances	\$ 413,918	\$ 171,475	\$ 254,418	\$ 134,283	\$ 0	\$ 0	\$ 974,094
Total Liabilities and Fund Balances	\$ 1,155,449	\$ 262,596	\$ 448,727	\$ 179,948	\$ 79,927	\$ 12,672,071	\$ 14,798,718

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

Luther School District No.1-3, Oklahoma County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2015

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2015
Revenue Collected:					
Local Sources	\$ 3,059,517	\$ 539,641	\$ 1,209,916	\$ 9,793	\$ 4,818,867
Intermediate Sources	238,163	0	0	0	238,163
State Sources	2,003,531	5,972	117	0	2,009,621
Federal Sources	571,796	278,879	0	0	850,675
Non-Revenue Receipts	0	146	0	0	146
<i>Total Revenue Collected</i>	<u>\$ 5,873,007</u>	<u>\$ 824,638</u>	<u>\$ 1,210,034</u>	<u>\$ 9,793</u>	<u>\$ 7,917,472</u>
Expenditures Paid:					
Instruction	\$ 4,163,810	\$ 3,887	\$ 0	\$ 82,037	\$ 4,249,734
Support Services	1,735,490	512,739	0	979,561	3,227,791
Operation of Non-Instructional Services	232,157	340,453	0	0	572,611
Facilities Acquisition and Construction	0	52,733	0	1,003,900	1,056,633
Other Outlays	0	146	0	0	146
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	985,000	0	985,000
Interest and Fiscal Agent Fees	0	0	23,743	0	23,743
<i>Total Expenditures Paid</i>	<u>\$ 6,131,458</u>	<u>\$ 909,958</u>	<u>\$ 1,008,743</u>	<u>\$ 2,065,498</u>	<u>\$ 10,115,657</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (258,451)</u>	<u>\$ (85,320)</u>	<u>\$ 201,291</u>	<u>\$ (2,055,705)</u>	<u>\$ (2,198,185)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 30,496</u>	<u>\$ 17</u>	<u>\$ 0</u>	<u>\$ 12,250</u>	<u>\$ 42,764</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 2,286	\$ 17,491	\$ 0	\$ 0	\$ 19,778
Bond Proceeds	0	0	0	980,000	980,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 2,286</u>	<u>\$ 17,491</u>	<u>\$ 0</u>	<u>\$ 980,000</u>	<u>\$ 999,778</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (225,668)</u>	<u>\$ (67,812)</u>	<u>\$ 201,291</u>	<u>\$ (1,063,455)</u>	<u>\$ (1,155,643)</u>
<i>Fund Balance - Beginning of Year</i>	<u>639,586</u>	<u>239,286</u>	<u>53,127</u>	<u>1,197,738</u>	<u>2,129,737</u>
<i>Fund Balance - End of Year</i>	<u>\$ 413,918</u>	<u>\$ 171,475</u>	<u>\$ 254,418</u>	<u>\$ 134,283</u>	<u>\$ 974,094</u>

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

Luther School District No.1-3, Oklahoma County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ended June 30, 2015

	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	\$ 2,738,684	\$ 2,738,684	\$ 3,059,517	\$ 451,188	\$ 451,188	\$ 539,641	\$ 1,156,526	\$ 1,156,526	\$ 1,210,034
Intermediate Sources	191,386	191,386	238,163	0	0	0	0	0	0
State Sources	2,124,261	2,124,261	2,003,531	4,979	4,979	5,972	0	0	0
Federal Sources	453,585	453,585	571,796	231,913	278,879	278,879	0	0	0
Non-Revenue Receipts	0	0	0	0	0	146	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 5,507,916</u>	<u>\$ 5,507,916</u>	<u>\$ 5,873,007</u>	<u>\$ 688,080</u>	<u>\$ 735,046</u>	<u>\$ 824,638</u>	<u>\$ 1,156,526</u>	<u>\$ 1,156,526</u>	<u>\$ 1,210,034</u>
Expenditures Paid:									
Instruction	\$ 6,147,502	\$ 6,147,502	\$ 4,163,810	\$ 0	\$ 0	\$ 3,887	\$ 0	\$ 0	\$ 0
Support Services	0	0	1,735,490	624,811	624,811	512,739	0	0	0
Operation of Non-Instructional Services	0	0	232,157	302,555	349,521	340,453	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	52,733	0	0	0
Other Outlays	0	0	0	0	0	146	1,209,654	1,209,654	1,008,743
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	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>\$ 6,147,502</u>	<u>\$ 6,147,502</u>	<u>\$ 6,131,458</u>	<u>\$ 927,366</u>	<u>\$ 974,332</u>	<u>\$ 909,958</u>	<u>\$ 1,209,654</u>	<u>\$ 1,209,654</u>	<u>\$ 1,008,743</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (639,586)</u>	<u>\$ (639,586)</u>	<u>\$ (258,451)</u>	<u>\$ (239,286)</u>	<u>\$ (239,286)</u>	<u>\$ (85,320)</u>	<u>\$ (53,128)</u>	<u>\$ (53,128)</u>	<u>\$ 201,291</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,496</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 2,286	\$ 0	\$ 0	\$ 17,491	\$ 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>\$ 2,286</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,491</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>\$ (639,586)</u>	<u>\$ (639,586)</u>	<u>\$ (225,668)</u>	<u>\$ (239,286)</u>	<u>\$ (239,286)</u>	<u>\$ (67,812)</u>	<u>\$ (53,128)</u>	<u>\$ (53,128)</u>	<u>\$ 201,291</u>
<i>Fund Balance - Beginning of Year</i>	<u>639,586</u>	<u>639,586</u>	<u>639,586</u>	<u>239,286</u>	<u>239,286</u>	<u>239,286</u>	<u>53,127</u>	<u>53,127</u>	<u>53,127</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 413,918</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,475</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 254,418</u>

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

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Luther Public Schools Independent District No. 1, Oklahoma County, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

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."

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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 and the Child Nutrition 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 2014 Combined Purpose Bond issues. These funds are used exclusively for acquiring transportation equipment and acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities.

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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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

1.B. Fund Accounting, (continued)

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:

- 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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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

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

- 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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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, 2015, 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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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.

Resource Use Policy

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

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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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

1.F. Revenue, Expenses, and Expenditures, (continued)

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.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2015:

		<u>Carrying Value</u>
Deposits		
Demand Deposits	\$	2,131,848
Time Deposits		
Total Deposits	\$	<u>2,131,848</u>
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ 0
Total Investments		<u>\$</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	2,126,648
Activity Fund Outstanding Checks		<u>5,200</u>
Total Deposits and Investments	\$	<u>2,131,848</u>

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, 2015, the District was not exposed to custodial credit risk as defined above.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 2 – Deposit and Investment Risk, (continued)

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

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments 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, 2015, 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, 2015, the District had no concentration of credit risk as defined above.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 3 - General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2014	\$ 1,985,000	\$ 11,579,400	\$ 0	\$ 13,564,400
Additions	980,000	0	77,621	1,057,621
Retirements	985,000	964,950	0	1,949,950
Balance, June 30, 2015	<u>\$ 1,980,000</u>	<u>\$ 10,614,450</u>	<u>\$ 77,621</u>	<u>\$ 12,672,071</u>

A brief description of the outstanding general obligation bond issues at June 30, 2015, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2014 Building Bonds	0.70%	June 1, 2016	\$ 980,000	\$ 980,000
2014 Combined Purpose Bonds	.75-1.375%	June 1, 2019	1,000,000	1,000,000
Totals			<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>

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

	Principal	Interest	Total
2014 Building Bonds			
2015-16	\$ 980,000	\$ 13,720	\$ 993,720
Sub Total	<u>\$ 980,000</u>	<u>\$ 13,720</u>	<u>\$ 993,720</u>
2013 Building Bonds			
2015-16	\$ 250,000	\$ 10,938	\$ 260,938
2016-17	250,000	7,500	257,500
2017-18	250,000	5,625	255,625
2018-19	250,000	3,125	253,125
Sub Total	<u>\$ 1,000,000</u>	<u>\$ 27,188</u>	<u>\$ 1,027,188</u>
Total Bonds	<u>\$ 1,980,000</u>	<u>\$ 40,908</u>	<u>\$ 2,020,908</u>

Interest expense on bonds payable incurred during the current year totaled \$23,743.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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

The District has entered into a lease agreement with the Oklahoma County Finance Authority as lessee for financing the acquisition of school buildings, equipment, furniture and fixtures and land. This lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

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 leases. 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	Building Acquisition Payments	Total
2016	\$ 964,950	\$ 964,950
2017	964,950	964,950
2018	964,950	964,950
2019	964,950	964,950
2020	964,950	964,950
2021	964,950	964,950
2022	964,950	964,950
2023	964,950	964,950
2024	964,950	964,950
2025	964,950	964,950
2026	964,950	964,950
Total	\$ 10,614,450	\$ 10,614,450
Less: Amount Representing Interest	0	0
Present Value of Future Minimum Lease Payments	\$ 10,614,450	\$ 10,614,450

Compensated Absences

Luther Public Schools will pay one hundred dollars (\$100) a day up to eighty (80) days of unused sick leave when a teacher retires. Luther Public Schools will pay fifty dollars (\$50) a day up to sixty (60) days of unused sick leave upon retirement for support personnel. The schools liability for payment of unused sick leave as of June 30, 2015 is \$77,621.

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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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, 2015. 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, 2015, 2014, and 2013 were \$350,790, \$516,508 and \$476,104 respectively.

The compensation for employees covered by the System for the year ended June 30, 2015 was \$3,499,625; the District's total compensation was \$4,891,294. 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 \$12,500. There were \$184,883 contributions made by employees during the year ended June 30, 2015.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2014, is as follows:

Total pension obligation	\$ 19,575,551.730
Net assets available for benefits, at cost	<u>12,368,960.848</u>
Nonfunded pension benefit obligation	<u>\$ 7,206,590.882</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, 2014. 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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

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 - \$39,631,045; general liability - \$1,000,000; and educators 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.

The District participates in the Oklahoma Public Schools Unemployment Compensation Account under the sponsorship of the Oklahoma State School Boards Association and the cooperative council for Oklahoma School Administration. The account was established to let school districts self-insure unemployment benefits for school employees. The funds are held in the name of each school district as reserves to pay unemployment claims. Each school district is individually liable for that portion of the benefits paid from the fund attributable to wages paid by the school district in the same manner as if no group account had been established. The reserve funds may be withdrawn from the account upon request of the school district. At June 30, 2015, the Luther School District had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$17,533.45. This amount has not been included in the District's balance sheet at June 30, 2015.

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.

Luther ISD No. 3, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 8 – Surety Bonds

Employees are bonded by CNA Surety Company with a Position Schedule, bond number 18100081 for the term of July 1, 2014 through July 1, 2015. Amounts covered for specific positions are listed below:

Superintendent	\$100,000
Treasurer	100,000
Minute Clerk	3,000
Encumbrance Clerk	3,000
Principals (3)	2,000
Financial Secretaries (3)	3,000
Financial Cafeteria Clerk	3,000

Note 9 – Budget Amendments

The Child Nutrition Fund budget was amended during the year by filing supplemental appropriations forms with the county clerk’s office. The supplemental appropriation form was filed June 18, 2015 for \$46,965. This increased the original Child Nutrition Fund Budget from \$302,555 to \$349,521.

Note 10 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Note 11 – Contributions Due to Other Districts

In fiscal year 2002-03, a component part of Oklahoma City School District was voluntarily annexed to the Luther School District. As to the annexation O.S. Title 70, Section 7-103 provided that the component part of the district annexed must assume its full proportion of all legal bonded indebtedness of the district to which it is annexed, and the district to which it is annexed shall likewise assume a full proportion of all legal bonded indebtedness of the district annexed, or ratable proportion in ratio to the assessed valuation to the part annexed. At the time of annexation Oklahoma City School District had general obligation bonds outstanding, which were scheduled to be retired in fiscal year 2008-2009. Each fiscal year from the annexation to the retirement of the outstanding general obligation bonds, Luther School District’s proportionate share of Oklahoma City District’s outstanding indebtedness was calculated and levied on taxpayers of Luther School District.

However, the Oklahoma City School District neither requested nor received the portion of Luther School District’s sinking fund collections that represented the levied amounts. As of June 30, 2015, the cumulative total of amounts levied by Luther School District for this purpose totaled \$194,308.56. This amount is reflected in these financial statements as a liability entitled “Contribution due to other districts” and has been reserved from Luther School District’s Debt Service fund balance.

OTHER SUPPLEMENTAL INFORMATION

Luther School District No.1-3, Oklahoma County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2015

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2015</u>
Cash and Cash Equivalents	\$ 155,465	\$ 107,131	\$ 262,596
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 155,465</u>	<u>\$ 107,131</u>	<u>\$ 262,596</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 52,990	\$ 38,131	\$ 91,121
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 52,990</u>	<u>\$ 38,131</u>	<u>\$ 91,121</u>
Fund Balances:			
Restricted	\$ <u>102,475</u>	\$ <u>69,000</u>	\$ <u>171,475</u>
<i>Total Fund Balances</i>	<u>\$ 102,475</u>	<u>\$ 69,000</u>	<u>\$ 171,475</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 155,465</u>	<u>\$ 107,131</u>	<u>\$ 262,596</u>

Luther School District No.1-3, Oklahoma County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2015

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2015</u>
Revenue Collected:			
Local Sources	\$ 436,471	\$ 103,170	\$ 539,641
Intermediate Sources	0	0	0
State Sources	45	5,927	5,972
Federal Sources	0	278,879	278,879
Non-Revenue Receipts	0	146	146
	<u>0</u>	<u>146</u>	<u>146</u>
<i>Total Revenue Collected</i>	<u>\$ 436,516</u>	<u>\$ 388,122</u>	<u>\$ 824,638</u>
Expenditures Paid:			
Instruction	\$ 3,887	\$ 0	\$ 3,887
Support Services	512,739	0	512,739
Operation of Non-Instructional Services	0	340,453	340,453
Facilities Acquisition and Construction	52,733	0	52,733
Other Outlays	0	146	146
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 569,359</u>	<u>\$ 340,599</u>	<u>\$ 909,958</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (132,843)</u>	<u>\$ 47,523</u>	<u>\$ (85,320)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 17</u>	<u>\$ 17</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 1,756	\$ 15,735	\$ 17,491
Transfers In	0	0	0
Transfers Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 1,756</u>	<u>\$ 15,735</u>	<u>\$ 17,491</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (131,087)</u>	<u>\$ 63,275</u>	<u>\$ (67,812)</u>
<i>Fund Balance - Beginning of Year</i>	<u>233,562</u>	<u>5,724</u>	<u>239,286</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 102,475</u></u>	<u><u>\$ 69,000</u></u>	<u><u>\$ 171,475</u></u>

Luther School District No.1-3, Oklahoma County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Budget and Actual - Regulatory Basis - Special Revenue Funds
 For the Year Ended June 30, 2015

	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	\$ 391,249	\$ 391,249	\$ 436,471	\$ 59,938	\$ 59,938	\$ 103,170	\$ 451,188	\$ 451,188	\$ 539,641
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	45	4,979	4,979	5,927	4,979	4,979	5,972
Federal Sources	0	0	0	231,913	278,879	278,879	231,913	278,879	278,879
Non-Revenue Receipts	0	0	0	0	0	146	0	0	146
<i>Total Revenue Collected</i>	<u>\$ 391,249</u>	<u>\$ 391,249</u>	<u>\$ 436,516</u>	<u>\$ 296,831</u>	<u>\$ 343,796</u>	<u>\$ 388,122</u>	<u>\$ 688,080</u>	<u>\$ 735,046</u>	<u>\$ 824,638</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 3,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,887
Support Services	624,811	624,811	512,739	0	0	0	624,811	624,811	512,739
Operation of Non-Instructional Services	0	0	0	302,555	349,521	340,453	302,555	349,521	340,453
Facilities Acquisition and Construction	0	0	52,733	0	0	0	0	0	52,733
Other Outlays	0	0	0	0	0	146	0	0	146
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>\$ 624,811</u>	<u>\$ 624,811</u>	<u>\$ 569,359</u>	<u>\$ 302,555</u>	<u>\$ 349,521</u>	<u>\$ 340,599</u>	<u>\$ 927,366</u>	<u>\$ 974,332</u>	<u>\$ 909,958</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (233,562)</u>	<u>\$ (233,562)</u>	<u>\$ (132,843)</u>	<u>\$ (5,724)</u>	<u>\$ (5,724)</u>	<u>\$ 47,523</u>	<u>\$ (239,286)</u>	<u>\$ (239,286)</u>	<u>\$ (85,320)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 1,756	\$ 0	\$ 0	\$ 15,735	\$ 0	\$ 0	\$ 17,491
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>\$ 1,756</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,735</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,491</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (233,562)</u>	<u>\$ (233,562)</u>	<u>\$ (131,087)</u>	<u>\$ (5,724)</u>	<u>\$ (5,724)</u>	<u>\$ 63,275</u>	<u>\$ (239,286)</u>	<u>\$ (239,286)</u>	<u>\$ (67,812)</u>
<i>Fund Balance - Beginning of Year</i>	<u>233,562</u>	<u>233,562</u>	<u>233,562</u>	<u>5,724</u>	<u>5,724</u>	<u>5,724</u>	<u>239,286</u>	<u>239,286</u>	<u>239,286</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,475</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,475</u>

Luther School District No.1-3, Oklahoma County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis - Activity Fund
June 30, 2015

<u>ASSETS</u>	School Activity Fund
Cash	\$ 79,927
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 79,927</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>79,927</u>
<i>Total Liabilities</i>	<u>\$ 79,927</u>
Fund Equity:	
Unassigned	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 79,927</u>

Luther School District No.1-3, Oklahoma County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ended June 30, 2015

ACTIVITIES	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Petty Cash	\$ 37	\$ 145	\$ 150	\$ 31
FFA General Fund	1,119	275	578	815
FFA Fund Raiser	3,806	50,018	48,424	5,400
FFA GreenHouse/Shop	2,449	621	1,378	1,692
FFA National Convention	464	3,394	3,125	733
FFA Barn & Livestock	434	525	0	959
HS Coke Account	691	4,105	4,097	699
MS/HS Band	484	15,703	16,157	30
MS/HS Football	844	23,655	24,197	302
Design & Fabrications	0	2,955	0	2,955
Class of 2016	200	1,585	1,517	268
HS Girls Basketball Fundraiser	1,910	5,809	5,950	1,769
HS Girls Softball Fundraiser	1,014	1,192	2,148	58
MS/HS Basketball	435	20,460	17,933	2,962
Elementary School	10,743	34,498	33,494	11,746
Elementary Library	1,942	9,734	11,127	549
Elementary Coke Account	770	0	0	770
HS Cheerleaders	50	1,552	1,326	275
Student Council	154	287	0	441
HS Library	76	0	76	0
HS Art	1,194	438	1,276	356
MS/HS Baseball	32	7,810	7,843	0
Class of 2014	92	0	92	0
Class of 2015	772	273	1,045	0
Class of 2017	60	0	0	60
Senior Announcements	1	0	0	1
Letter Jackets	35	5,952	5,932	55
Football Concession	0	17,279	17,279	0
Basketball Concession	0	10,634	10,634	0
Journalism Yearbook	5,156	9,278	5,626	8,808
Journalism Senior Pics	15	0	15	0
Journalism School Day	4	0	4	0
FCCLA	369	1,485	1,830	23
FCA	0	403	160	243
Cafeteria	656	1,569	1,177	1,047
Middle School	1,993	12,999	11,532	3,460
Middle School Carnival	4,937	2,990	3,880	4,048
Middle School Improvements	50	150	0	200
MS Cheerleaders	8	0	0	8
MS Girls Basketball	2	0	0	2
LPS Athlete Fire Victims	146	100	200	46
Pep Club	58	114	112	60
Track	7,755	20,753	20,203	8,304
Academic Team	11	0	0	11
National Honor Society	77	0	0	77
Business Professional	341	10	239	112
MS Student Council	347	701	506	542
Fifth Grade Art Dues	72	0	0	72
Football Fund Raiser	3,760	23,813	15,298	12,274
HS Boys Basketball Fundraiser	532	2,000	2,251	282
Dance	434	455	489	400
Speech/Drama & Debate	2,150	110	1,589	671
Band/Vocal Trips	54	27,100	27,091	62
Band Activity Fundraiser	0	703	688	15
PTC	0	5,910	4,739	1,171
Elementary T Shirts	0	5,441	3,310	2,131
Middle School Library	0	3,392	3,052	340
Mobile Concession	0	1,482	1,482	0
ES Snack Closet	0	5,104	2,613	2,491
ELL	0	100	0	100
Total Activities	\$ 58,734	\$ 345,060	\$ 323,867	\$ 79,927

LUTHER INDEPENDENT SCHOOL DISTRICT NO. 3, OKLAHOMA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2014	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2015	Indirect Cost
U.S. Department of Education							
<u>Direct Programs:</u>							
Title VI, Small Rural School Ach (Note 3)	84.358B	587	(22,345)	35,475	22,392	(9,262)	546
<u>Passed Through Oklahoma State Department of Education:</u>							
Title I, Basic	84.010	511	(79,751)	240,909	212,736	(51,579)	1,125
IDEA-B Flowthrough	84.027	621	(10,511)	147,106	174,484	(37,889)	4,237
IDEA-B Preschool	84.173	641	(2,868)	2,868	2,136	(2,136)	52
Special Education Cluster			(13,379)	149,974	176,620	(40,025)	4,289
Teacher/Principal Training	84.367	541	(18,968)	55,838	41,909	(5,039)	0
<u>Passed Through State Regents of Higher Education</u>							
Gear-Up (2013-14)	84.334A	771	20,826	89,601	71,014	39,413	0
Total U.S. Department of Education			(113,618)	571,796	524,671	(66,493)	5,960
U.S. Department of Agriculture							
<u>Passed Through State Department of Education:</u>							
Breakfast Program	10.553	764	35,035	77,462	77,462	35,035	0
Lunch Program	10.555	763	72,922	201,417	201,417	72,922	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	24,045	24,045	0	N/A
Child Nutrition Cluster			107,957	302,924	302,924	107,957	0
Total U.S. Department of Agriculture			107,957	302,924	302,924	107,957	0
TOTAL FEDERAL ASSISTANCE			(5,660)	874,720	827,596	41,465	5,960

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 the amount of commodities received.

Note 3 - The 2013-14 SEFA reflected a \$23,345.40 receivable for Title VI. The district only collected \$22,345.40.

CERTIFIED PUBLIC ACCOUNTANTS

**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
Luther Independent School District #3
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 **Luther Independent School District #3**, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2015, 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 8, 2016. 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 **Luther Independent School District #3**, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2015-1 through 2015-11).

Compliance and Other Matters

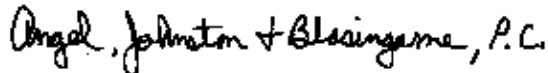
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Luther Independent School District #3, Oklahoma's, Response to Findings

Luther Independent School District #3, 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 8, 2016

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
Luther Independent School District #I-3
Oklahoma County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Luther Independent School District #I-3**, 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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Luther Independent School District, I-3** 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, **Luther Independent School District #I-3**, 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, 2015.

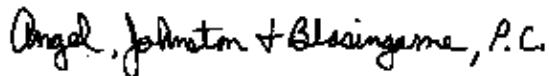
Report on Internal Control Over Compliance

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 8, 2016

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

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 X No

Significant Deficiencies identified not considered to be material weaknesses? X Yes ___ No

Noncompliance material to financial statements noted? ___ Yes X 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 X No

Significant Deficiencies identified not considered to be material weaknesses? ___ Yes X No

Audit Findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ___ Yes X 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 20? ___ Yes X No

Identification of Major Programs:

CFDA#

84.010

Title I

10.553, 10.555

Child Nutrition Cluster

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

(continued)

Findings-Financial Statement Audit

2015-1 Finding

Statement of Condition – As noted in last year’s audit, the District has a lack of segregation of duties in its financial area due to the limited number of personnel. In particular, the person who collects, receipts and deposits money also reconciles the bank account.

Criteria– Good internal control procedures separate financial responsibilities so that any one individual could not alter record keeping without someone else noticing it while performing their normal duties.

Cause/Effect of Condition – Lack of segregation of duties may allow an opportunity for an employee to alter records and no one else would notice it while performing their normal duties.

Recommendation – We recommend the District segregate duties as much as possible. The District should consider having one person collect, receipt and deposit money and someone else maintain records and reconcile the bank account. Alternatively, the District may want to have someone review the reconciliation prepared by the treasurer.

2015-2 Finding

Statement of Condition – During our testing of expenditures, we did not see where approved purchase order numbers are listed in the board minutes. The minutes only reflect that encumbrances were approved as part of the consent agenda.

Criteria– Oklahoma statutes 70-5-135 states “Approved encumbrances shall be listed in the minutes by the minutes clerk”.

Cause/Effect of Condition – Lack of understanding of laws concerning approval of encumbrances.

Recommendation – We recommend the encumbrances approved either be listed in the minutes or attach a list of approved encumbrances (preferably a list signed by the board).

2015-3 Finding

Statement of Condition – 14 of 49 purchase orders tested from the appropriated funds had an invoice dated before the purchase order date. Thus it appears that the purchase order is not always being prepared at the start of the purchasing process.

Criteria – Before a purchase is initiated, a purchase order should be prepared and approved by the encumbrance clerk (determines it is within the approved appropriations) and the purchasing officer.

Cause/Effect of Condition – The District could overspend its appropriations or items could be purchased that were not needed/approved for purchase.

Recommendation – We recommend that before a purchase is initiated the encumbrance clerk check available appropriations and issue a purchase order that is approved by the purchasing officer. Approval should be denoted by signatures/initials on the purchase order.

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

(continued)

2015-4 Finding

Statement of Condition – \$12,963.29 of routine repairs to vehicles were paid from the transportation portion of the bond proceeds.

Criteria – AG Opinion 78-101 determined that transportation bond proceeds should only be used to purchase transportation equipment and should not be used for routine maintenance.

Cause/Effect of Condition – Lack of understanding of the laws covering bond proceeds.

Recommendation – The District should only use transportation bond proceeds to purchase transportation equipment.

2015-5 Finding

Statement of Condition – The District does not appear to have an adequate system for budgeting. During the 2014-15 year, the District's General Fund expenditures increased by \$460,925 (mostly in the form of new positions and/or salary increases). However, there doesn't appear to be any planning as to how to pay for the increases or the effect it would have on the carryover.

Criteria – District should adopt adequate budgeting procedures to account for the effects of changes to projected revenue and/or expenditures.

Cause/Effect of Condition – Lack of adequate budgeting procedures could result in severe deterioration of the District's financial condition.

Recommendation – The District should adopt an operating budget that accounts for effects of projected revenue and/or expenditures on the financial condition of the school.

2015-6 Finding

Statement of Condition – The following errors were noted during testing of payroll transactions:

- Teacher retirement was paid on all the fringe benefits paid to Barry Gunn including the portion provided as a flexible benefit. The flexible benefit portion should not have had teacher retirement paid on it.
- 100% of Karley Fesler's teacher retirement (\$2,672.04) was paid by the District. However, her contract only shows \$1,775 was to be paid.
- Gwenda Church received 13 flexible benefit payments instead of 12. Thus, she was overpaid by \$499.42.
- Angela Cox was paid a total of \$6,360.22 of extra duty pay from the Gear-Up federal program. These amounts were not listed on her contract but the budget narrative listed \$5,000 for the site coordinator and \$1,000 of fringe benefits. Therefore, it appears that she was overpaid \$360.22. In addition, \$22,454.07 of her salary was coded to federal programs but did they did not pay the mandatory 8.25% federal matching teacher retirement. Thus, it appears teacher retirement was underpaid by approximately \$1,852.
- The District paid most of Karen Van De Steeg's salary out of the federal Title VI-Rural and Low-Income School Program but they did not pay the mandatory 8.25% federal matching teacher retirement. Thus, it appears teacher retirement was underpaid by approximately \$1,659.
- The District paid most of Shawna Stults' salary out of the federal Title I Program but they did not pay the mandatory 8.25% federal matching teacher retirement. Thus, it appears teacher retirement was underpaid by approximately \$3,867.
- Michelle Schmidt only received 10 cash flexible benefit payments of \$189.69 each but she should have received 12. Thus, she was underpaid by \$379.38.
- The District could not provide us with a contract for the \$16,425 of payments made to Barbara Barnes. It appears that she is paid on an hourly basis but a contract was not prepared. State law requires all payments in excess of \$500 be by approved purchase order or contract.

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

(continued)

Criteria – All payroll should be based upon approved contracts/supporting documentation. All fringe benefits/fixd cost should be paid in accordance with state requirements.

Cause/Effect of Condition – Lack of training for new payroll personnel and lack of review procedures.

Recommendation – The District should make sure adequate training is provided to all financial personnel. In addition, the District should implement review procedures to make sure all payments are accurate. Procedures should include cross checking of all payroll calculations at year-end by someone who is knowledgeable of Oklahoma school payroll calculations.

2015-7 Finding

Statement of Condition – During testing of expenditures in the Activity Fund, the following findings were noted:

- 4 of 27 purchases tested had invoices/shipping slips dated before the purchase order (thus it appears items were ordered before the purchase order was prepared).
- 1 purchase order was prepared/approved to Teamline Sports but the payment was made to Midwest Sporting Goods. Another purchase order was approved to Horton's T-Shirts but the payment was to B&C Apparel.
- 1 invoice did not have a signature of person who received/inspected the goods/services.

Criteria – Purchase orders are required to be prepared/approved before an item is ordered. The Activity Fund Custodian should check to see that the sub-account has enough monies to cover the purchase and it is on the approved expenditures list. If a vendor change is necessary, the sponsor should obtain a new purchase order. The final payment should not be made until the District has documentation that all goods/services have been received in good condition (signature of person inspecting the goods/services).

Cause/Effect of Condition – The sub-account might not have adequate funds to pay the bill and/or the expenditure could be for something that was not authorized.

Recommendation – A purchase order should be prepared/approved before anything is ordered. No payment should be made until the District has documentation that all goods/services were received in good condition.

2015-8 Finding

Statement of Condition – We noted the following problems related to gate/concession collections:

- Proceeds for gates/concessions collections are not being counted before it is turned in. In addition, gate tickets are being torn off once the money is counted in the office to make sure it matches. Gate and concession collections should be counted by two people and the collection form completed and signed before the money is placed into the hands of one person. Pre-numbered tickets should be issued as money is collected. Then the tickets issued should be reconciled to the cash collected.

Criteria – Gate/concession proceeds are susceptible to misappropriation due to it being cash. If procedures are not followed, gate/concession proceeds could be taken at any time until it is deposited.

Cause/Effect of Condition – Gate/concession proceeds may not all be deposited.

Recommendation – Gate/concession procedures should be followed. These should include the dual count of all monies before it is placed in the hands of one individual. Also, pre-numbered tickets should be issued and reconciled to the money collected.

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

(continued)

2015-9 Finding

Statement of Condition – During testing of fundraisers, we noted the following problems:

- Receipts issued do not always distinguish the amount collected from each fundraiser and are not always dated. Therefore, it is not possible to determine how much was collected from each fundraiser or when the monies were collected.
- The Activity Fund records do not provide an adequate breakdown to allow the determination of the amount deposited from each fundraiser.
- Fundraiser reconciliation forms are either not prepared or are not turned into the Activity Fund custodian and maintained as part of the permanent records.
- Sponsors are not required to review/sign-off on their account on a periodic basis to determine that all monies have been credited to their account. We note one instance where \$1,124 was credited to the wrong sub-account in September of 2014 but the error was not caught until the 2015-16 year.

Criteria – State law requires sponsors to issue receipts whenever possible. These receipts should be dated and provide adequate detail to determine how much money was collected from each student and from which fundraiser it was collected. Activity Fund records should provide adequate detail to allow for determination of amounts collected for each fundraiser. Sponsors should reconcile their fundraisers to determine their profitability and the reconciliation should be made part of the Activity Fund custodians records.

Cause/Effect of Condition – Fundraiser monies could disappear. Unprofitable fundraisers could be held each year.

Recommendation – We recommend the District implement/adhere to strict fundraising procedures. These should include issuance of detailed receipts by the sponsor and detailed records being maintained by the Activity Fund Custodian. Sponsors should prepare fundraiser reconciliations at the end of the fundraiser to determine profitability and these should be turned in to the Activity Fund custodian. And finally, the sponsors should be provided a monthly printout of their sub-accounts activity.

2015-10 Finding

Statement of Condition – Sub-accounts and fundraisers were not approved by the board until November even though some events were being held as early as September. Also, we did not see approvals for sub-account 813 Design & Fabrications, sub-account 860 MS Student Council, or sub-account 875 ELL.

Criteria – State law requires all sub-accounts, fundraisers and allowed expenditures be approved by the board at the beginning of the year and as needed throughout the year.

Cause/Effect of Condition – Activity Fund sub-accounts, fundraisers or expenditures could be allowed without board knowledge/oversight.

Recommendation – We recommend the board approve all Activity Fund sub-accounts, fundraisers and types of allowed expenditures be approved by the board at the beginning of the year and as needed throughout the year.

Luther ISD No. 3, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2015

(continued)

2015-11 Finding

Statement of Condition – The District did not maintain time records for all non-exempt employees as is required by the Fair Labor Standards Act.

Criteria – The Fair Labor Standards Act requires overtime be paid on all non-exempt employees who work over 40 hours in a work week. The employer is required to maintain time records for all non-exempt employees (teachers, administrators, and supervisors are considered to be exempt) to show how many hours were worked.

Cause/Effect of Condition – Non-exempt employees could be due pay for overtime but records are not adequate to determine this.

Recommendation – The District should become familiar with the requirements of the Fair Labor Standards Act. They need to determine which employees are not exempt. Then these non-exempt employees should be required to prepare/sign time records. If these non-exempt employees work over 40 hours in a work week, the District should pay 1 ½ times the regular rate of pay for all hours worked in excess of 40.

Findings and Questioned Costs – Major Federal Award Programs Audit

(None Reported)

Luther ISD No. 3, Oklahoma County

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

2014-1 Finding

Statement of Condition – An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria – Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the School District.

Cause/Effect – Because of the inadequate segregation of duties there may be an opportunity for an employee to alter record keeping.

Recommendation – We have recommended that the School District strive to implement an adequate segregation of duties.

Current Status – This has not been corrected because the District concluded that the cost to correct this would exceed the benefit.

2014-2 Finding – Title I Program

Statement of Condition – OMB Circular A-87 states that costs “be adequately documented”. School personnel were unable to locate two employee contracts chosen at random for our payroll/contract test. The two contracts that could not be located were for two employees paid from the Title I Federal program.

Criteria – There was no supporting documentation of the payroll costs charged to the Title I program. Total Title I expenditures were \$184,202.10.

Cause/Effect – The District did not have controls in place to ensure that all supporting documentation for Federal program expenditures was properly kept. \$35,261.20 of costs are questioned as a result of failing to maintain employment contracts of employees paid from Federal programs.

Recommendation – The District will implement procedures that will require all supporting documentation of Federal expenditures be maintained.

Current Status – This was not noted during the 2014-15 audit.

2014-3 Finding – IDEA-B Cluster

Statement of Condition – OMB circular A-87 states that cost “be adequately documented”. School personnel were unable to locate one employee contract chosen at random for our payroll/contract test. The contract that could not be located was for an employee paid from the Flow Through & Preschool Federal programs.

Criteria – There was no supporting documentation of the payroll costs charged to the Flow Through and Preschool program. Total Flow Through and Preschool expenditures were \$176,203.89.

Cause/Effect – The District did not have controls in place to ensure that all supporting documentation for Federal program expenditures was properly kept. \$53,613.03 of costs are questioned as a result of failing to maintain all employment contracts of employees paid from Federal programs.

Recommendation – The District will implement procedures that will require all supporting documentation of Federal expenditures be maintained.

Current Status – This was not noted during the 2014-15 audit.

Schedule of comments

I. **Condition** – In several instances the receiving or other support documentation of activity fund expenditures was not signed by the person receiving the goods or services.

Recommendation – The Public School Board of Education and school Administration should adopt and enforce procedures to insure that all invoices and delivery tickets are signed by the receiver and attached to the corresponding purchase order. This procedure will indicate merchandise was received in satisfactory condition and merchandise paid for is an actual expense of the school district.

Current Status – This was much improved for the 2014-15 year.

II. **Condition** – Encumbrances in the General Fund are not being issued and approved in date numeric sequence. For example PO #636 is dated 4/14/14, PO #673 is dated 6/30/14, and PO #709 is dated 5-20-14. This situation indicates that PO's are not being properly encumbered in date numeric sequence.

Recommendation – State statutes require the School Encumbrance clerk to properly encumber all purchases and charge the affected appropriation account at the time, or prior to, ordering the goods or services. Encumbrances should be approved in date numeric sequence.

Current Status – This appears to be improved for the 2014-15 year.

III. **Condition** – IRS regulations require a 1099-MISC be issued to each person or business to whom you have paid \$600.00 or more in rents, services, prizes and awards, or other income payments. Generally, you do not have to issue 1099-MISC forms to C-Corporations and S-Corporations, but there are some exceptions. During the 2013-14 fiscal year we noted several payments for contract labor which appeared to be subject to 1099 forms. We requested to review form 1099's that were issued for calendar year 2013 and none were available for examination. In addition General Fund PO#226 in the amount of \$25,000 was paid "per resignation agreement dated 8/27/13 for a lump-sum settlement." The resignation agreement specified that the payment would be less all lawful withholdings", however, no such withholdings were taken out of the lump-sum amount or paid by the school as per federal law.

Recommendation – The District should adopt procedures that require the encumbrance clerk to require all vendors to complete a W-9 form, which provides information to determine if the entity should receive a 1099-MISC form, and procedures that require all entities that meet the requirements to receive a 1099-MISC form as required by IRS regulations.

Current Status – The school sent 1099's for the 2014-15 year.

IV. **Condition** – Purchase orders are approved for a maximum amount and payments are made up to the purchase order amount. The school then increases the same purchase order if they need to make more payments to that vendor rather than closing out the original purchase order and creating another purchase order for the additional amounts paid in excess of the original purchase order amount.

Recommendation – We recommend the District close each purchase order when completed, or when the original encumbrance has been reached. New purchase orders can then be approved for any additional expenditure. We are not aware of any provisions allowing a school district to reopen purchase orders or increase their original encumbrance amounts.

Current Status – This appeared to be improved.

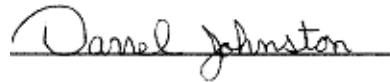
OTHER INFORMATION

Luther ISD No. 3, Oklahoma County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2015

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 *Luther Independent School District* for the audit year 2014-15.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2016.

Notary Public

My Commission Expires 07-01-18

SCHOOL'S CORRECTIVE ACTION PLAN

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015-1

DESCRIPTION OF FINDING:

Lack of segregation of duties in the financial area due to the limited number of personnel. In particular, the person who collects, receipts, and deposits money also reconciles the bank statement.

CONTACT PERSON: Superintendent of Schools, Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

The district will segregate the cafeteria director, Ms. Kristi Dodson, to make and receipt future deposits for the cafeteria. Ms. Karley Fesler, District Treasurer, will reconcile the bank statements.

COMPLETION DATE:

Immediate

AUDIT FINDING REFERENCE NUMBER: 2015-2

DESCRIPTION OF FINDING:

Approved purchase order numbers were not listed in the board minutes. The minutes only reflect that encumbrances were approved as part of the consent agenda.

CONTACT PERSON: Superintendent of Schools – Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

We have begun listing the encumbrances on the board agenda and then including these in the minutes of the board. The minutes are then signed as usual by the board with these encumbrances listed.

COMPLETION DATE: *Immediate*

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015-3

DESCRIPTION OF FINDING:

14 of 49 purchase orders tested had an invoice dated before the purchase order date.

CONTACT PERSON: Dr. Sheldon L. Buxton, Supt.

STEPS IMPLEMENTED:

No purchases will be made without a P.O. previously approved by the appropriate central office under any conditions. Before a purchase is initiated, the encumbrance clerk must approve that funds are available in the appropriated and approved budget. The purchase order will add the line signature of the encumbrance clerk. Approval of the clerk will be noted by a signature or initials.

COMPLETION DATE:

July 1, 2016

AUDIT FINDING REFERENCE NUMBER: 2015-4

DESCRIPTION OF FINDING:

\$12,963.29 or routine repairs were paid from the transportation portion of the bond proceeds

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

Correction noted for future reference. Lack of understanding of the law regarding those expenditures is noted by the superintendent. In the future, any transportation bonds will only be utilized for equipment for the buses, not maintenance items.

COMPLETION DATE:

Immediate

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015-5

DESCRIPTION OF FINDING:

Inadequate system for budgeting.

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton, Supt.

STEPS IMPLEMENTED:

Total reliance on the Estimate of Needs will not be the determining factor for revenue sourcing. The superintendent will run his/her own projection on revenue and will be compared with the auditor's estimate of needs for the district. These projection should be run in April or May by the superintendent prior to the filing of the temporary appropriations.

COMPLETION DATE:

Immediate

AUDIT FINDING REFERENCE NUMBER: 2015-6

DESCRIPTION OF FINDING:

Federal matching money of 8.25% was inconsistent for all employees. These involved some extra duty stipends on some employees that should have been paid and in some cases there were overpayments made.

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

The correction of this action is that the district will make up the shortages noted on the specific personnel and will absorb the overpayments made as noted. Future action will require additional training which will be provided for the appropriate staff at the cost to the district. A cross checking of contracts and withholdings involved with the specified extra-duty assignments will be done with another employee not involved with payroll.

COMPLETION DATE:

July 1, 2016

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015-7

DESCRIPTION OF FINDING:

Expenditures from activity accounts were made prior to an approved purchase order.

CONTACT PERSON: Dr. Sheldon L. Buxton, Supt.

STEPS IMPLEMENTED:

I will pursue this with OSSBA for appropriate and enforceable policy. A purchasing handbook will be presented to all staff at the beginning of the school year and will be covered by either the superintendent or someone in the central office that are held responsible for the actions identified in this finding.

COMPLETION DATE:

July 1, 2016

AUDIT FINDING REFERENCE NUMBER: 2015-8

DESCRIPTION OF FINDING:

Gate / Concession collections. Proceeds for gates/concessions are not being counted before it is turned in. Gates tickets are mishandled that should validate the deposits being turned in.

CONTACT PERSON: Superintendent of Schools – Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

The school will implement in addition to the assigned gate personnel a ticket collector at each school sponsored activity. The tickets will be counted and that count number will be given to the activity accounts person in central office. The deposit of the gate and concession receipts will be deposited in the bank depository immediately following the conclusion of the activity. A dual count will be made of the amount of money collected and a signed form indicating that two people have verified the count and placed in the deposit bag at the conclusion of the activity. The deposits will be made by the end of the next working day by the activity account's custodian.

COMPLETION DATE:

Immediate

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015 - 9

DESCRIPTION OF FINDING:

Fund raiser issues indicate that individual breakout of fund raising activities was not properly differentiated. Sponsors are not preparing a fundraiser reconciliation at the end of each fundraiser to determine the amount of profit made.

CONTACT PERSON: Superintendent of Schools – Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

A change in the approval time for fundraisers will be done in June prior to the beginning of the fiscal year. The Board currently approves these in November, but oftentimes other fundraisers are began before approval by the board is noted. Better policy and a better communication to all fundraising sponsors will be done at the opening of the school year by building principals at each building site. Any new fundraisers will have to be made to the appropriate administrator prior to going to the board. In most cases this administrator will be the building level principal. Each fund raising activity will be required to turn in separate deposit slips and then each of those accounts will be given a monthly status of balances that are available as we currently do each activity account.

COMPLETION DATE:

July 1, 2016

AUDIT FINDING REFERENCE NUMBER: 2015 - 10

DESCRIPTION OF FINDING:

Sub-accounts and fundraisers were not approved by the board until November even though some events were being held as early as September.

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

Move approval date for fundraisers to June rather than November. Establish policy that governs this process of requiring board approval before any fundraiser activities can begin.

COMPLETION DATE: July 1, 2016

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2016

AUDIT FINDING REFERENCE NUMBER: 2015 -11

DESCRIPTION OF FINDING:

District did not maintain time records for all non-exempt employees.

CONTACT PERSON: Superintendent of Schools – Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

Time sheets will be required on all non-exempt employees which will be managed by the director of transportation, cafeteria, maintenance, and extra-duty personnel. School district policy will be approved by the board that governs this action of the district.

COMPLETION DATE:

Immediate.

AUDIT FINDING REFERENCE NUMBER:

DESCRIPTION OF FINDING:

CONTACT PERSON:

STEPS IMPLEMENTED:

COMPLETION DATE:

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2014

AUDIT FINDING REFERENCE NUMBER: 2014-1

DESCRIPTION OF FINDING:

Internal control system not adequate to insure that no one person controls several financial functions of the school.

CONTACT PERSON: Dr. Sheldon L. Buxton, Supt.

STEPS IMPLEMENTED:

Signature stamp will be retained by the board president and not the central office. This was cleared up in understanding this year with our auditor for 2016.

COMPLETION DATE:

Immediate

AUDIT FINDING REFERENCE NUMBER:

DESCRIPTION OF FINDING: 2014-2

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

Contracts for all employees will be monitored with sign sheet upon receipt of contract as well as the return of contract within the opening week of school. The signed sheets will document that both the receipt of the contract was delivered and the appropriate signed contract was returned prior to the run of the initial payroll.

COMPLETION DATE:

Immediate

**LUTHER PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR - 2014

AUDIT FINDING REFERENCE NUMBER: 2014-3

DESCRIPTION OF FINDING:

Employee contract for the Flow Through & Preschool Federal programs.

CONTACT PERSON: Superintendent of Schools - Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

Maintenance of signed distribution and return of contracts as outlined in 2014-2

COMPLETION DATE:

Immediate

AUDIT FINDING REFERENCE NUMBER: Note not included in the 2014-15 report

DESCRIPTION OF FINDING:

Maintenance of proper numeric ordering of purchase orders and encumbrances.

CONTACT PERSON: Superintendent of Schools – Dr. Sheldon L. Buxton

STEPS IMPLEMENTED:

All purchase orders will be encumbered at the time of receipt at central office. Purchases made without proper purchase order approval will result in written reprimand followed by review for employment status of the employee after proper due process evaluation.

COMPLETION DATE:

Immediate