

REPORT OF AUDIT  
TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

BOARD OF DIRECTORS

BRIAN BOVAIRD	PRESIDENT
VACANT	VICE-PRESIDENT
GEORGE SCHNETZER	CLERK
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ERIC DOSS	DIRECTOR

AUDIT BY

PATRICK W. CARROLL  
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

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Enid, Oklahoma 73701  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors  
Tulsa School of Arts and Sciences  
Tulsa County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Tulsa School of Arts and Sciences, Tulsa County, Oklahoma, as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2013.

### **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 regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the requirements of the Oklahoma State Department of Oklahoma. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and qualified audit opinions.

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

As described in Note 1 to the financial statement, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Tulsa School of Arts and Sciences, Tulsa County, Oklahoma on the basis of the financial reporting prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2013, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

**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 or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

However, in my opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Tulsa School of Arts and Sciences, Tulsa County, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

**Other Matters**

Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statement of the District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements. This other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements taken 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, I have also issued my report dated April 8, 2014 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Sincerely,



Chas. W. Carroll, P.A.  
April 8, 2014

**TULSA SCHOOL OF ARTS AND SCIENCES NO. E-004, TULSA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2013**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>TOTALS</u> (Memorandum Only)	
	<u>GENERAL FUND</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 323,418	371,249	694,667	292,350
 <u>LIABILITIES AND FUND EQUITY</u>  				
Liabilities				
Warrants payable	83,762	9,540	93,302	68,224
Encumbrances	6,016	15,986	22,002	35,110
Funds held for school organizations		47,921	47,921	46,376
Total liabilities	<u>89,778</u>	<u>73,447</u>	<u>163,225</u>	<u>149,710</u>
Fund Equity				
Cash fund balances	<u>233,640</u>	<u>297,802</u>	<u>531,442</u>	<u>142,640</u>
Total Liabilities and Fund Equity	<u>\$ 323,418</u>	<u>371,249</u>	<u>694,667</u>	<u>292,350</u>

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

TULSA SCHOOL OF ARTS AND SCIENCES NO. E-004, TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2013

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	TOTALS	
	GENERAL FUND	EXPENDABLE TRUST		2013	(Memorandum Only) 2012
Revenues					
Local sources	\$ 383,369	891,407		1,274,776	83,049
Federal sources	207,823			207,823	39,000
Per Capita sources	1,381,997			1,381,997	1,315,276
Non-revenue receipts	3,438			3,438	767
Total revenues	<u>1,976,627</u>	<u>891,407</u>		<u>2,868,034</u>	<u>1,438,092</u>
Expenditures					
Instruction	896,438	186,885		1,083,323	895,018
Support services	664,057	354,647		1,018,704	599,387
Operation of non-instructional services	109,986			109,986	
Facilities, acquisition and const. services	223,844	25,110		248,954	14,830
Other Outlays	3,041	2,252		5,293	48
Repayments	73	24,711		24,784	
Total expenditures	<u>1,897,439</u>	<u>593,605</u>		<u>2,491,044</u>	<u>1,509,283</u>
Revenues over (under) expenditures	79,188	297,802		376,990	(71,191)
Other financing sources (uses)					
Lapsed appropriations	11,741			11,741	121
Estopped warrants	71			71	270
Total other financing sources (uses)	<u>11,812</u>			<u>11,812</u>	<u>391</u>
Revenue and other sources over (under) expenditures and other uses	91,000	297,802		388,802	(70,800)
Cash fund balance, beginning of year	142,640	-		142,640	213,440
Cash fund balance, end of year	<u>\$ 233,640</u>	<u>297,802</u>		<u>531,442</u>	<u>142,640</u>

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

**TULSA SCHOOL OF ARTS AND SCIENCES NO. E-004, TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2013**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 230,900	281,017	383,369
Federal sources	170,902	195,198	207,823
Per Capita sources	1,187,080	1,371,453	1,381,997
Non-revenue sources			3,438
Total revenues	<u>1,588,882</u>	<u>1,847,668</u>	<u>1,976,627</u>
Expenditures			
Instruction	716,176	974,962	896,438
Support services	675,628	675,628	664,057
Operation of non-instructional services	100,044	100,044	109,986
Facilities, acquisition and construction	223,844	223,844	223,844
Other outlays	15,757	15,757	3,041
Repayments	73	73	73
Total expenditures	<u>1,731,522</u>	<u>1,990,308</u>	<u>1,897,439</u>
Revenues over (under) expenditures	(142,640)	(142,640)	79,188
Other financing sources (uses)			
Lapsed appropriations			11,741
Estopped warrants			71
Total other financing sources (uses)			<u>11,812</u>
Revenue and other sources over (under) expenditures and other uses	(142,640)	(142,640)	91,000
Cash fund balance, beginning of year	<u>142,640</u>	<u>142,640</u>	<u>142,640</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>233,640</u>

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

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Tulsa School of Arts and Sciences have been prepared in conformity with an other comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the Schools' accounting policies are described below.

A. Reporting Entity

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

The governing body of the School is the Board of Directors composed of elected members. The appointed director is the executive officer of the School.

In evaluating how to define the School, 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 oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. 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 School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the School's reporting entity.

B. Fund Accounting

The School 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 School 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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

B. Fund Accounting (continued)

Fund Description

The following funds are utilized by the Tulsa School of Arts and Sciences.

Governmental Fund Types -	Fiduciary Fund Types –
General Fund	Trust and Agency Fund

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 ear-marked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue 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.

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 School. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the School is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the School holds on behalf of others as their agent and do not involve measurement of results of operations.

Trust Fund – The Trust Fund is the Insurance Fund. These funds are used to account for money derived from insurance loss claims. Expenditures are made for repairs and replacement of lost property and equipment.

Agency Fund – The Agency Fund is the school Activity Fund which is used to account for monies collected principally through fundraising efforts of the students and School-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

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. Inter-fund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

The School prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education (OSDE). This format is essentially the generally accepted form of presentation used by State and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements--Management's Discussion and Analysis--for State and Local Governments. This format significantly differs from that required by GASB 34.

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

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

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

D. Budgets and Budgetary Accounting

The School is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Directors by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the School must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the School must adopt a budget within the approved tax rate.

A budget is legally adopted by the Board of Directors for the General Fund, Special Revenue Funds, and Debt Service Fund that includes revenues and expenditures.

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

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

E. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

The value of consumable inventories at June 30, 2013 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The School does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The School has elected not to present a liability for compensated absences.

Operating Leases

The School has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the School does not consider the obligation to be for a period extending beyond the current fiscal year.

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. The School has no long term debt.

Cash Fund Balance

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

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

NOTES TO FINANCIAL STATEMENTS

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by the United States Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The School Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the School's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>BANK BALANCE</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	
Cash/Investments	\$ <u>250,000.00</u>	\$ <u>0.00</u>	\$ <u>445,876.18</u>	\$ <u>695,876.18</u>

F. Revenue, Expenses and Expenditures

State Revenues

Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school Schools based on information accumulated from the Schools.

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 School receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical program. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the School's general fund.

Federal Revenues

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

Federal Revenues (continued)

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

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Governmental Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

The School's Commercial Liability Insurance agreements cover claims against municipalities for all government functions and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating School pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the re-insurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

Jack H. Jenkins, School Treasurer, is bonded with The Harford School in the amount of \$100,000. The bond number is 38BSBGA1093, dated July 1, 2012 to July 1, 2013.

Surety Bonds (continued)

The School maintains a Honesty/Faithful Performance Blanket Bond with Western Surety Company in the amount of \$1,000.00 per loss, unless otherwise stated. The bond number is 70825383, dated July 1, 2011 to July 1, 2012.

Director	\$100,000.00
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3. Employee Retirement System

The School participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the School, 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 educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The School has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

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

A participant with 5 years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The 2012-13 contribution rates for the Schools, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The School is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2013. An additional 8% of compensation is required for federal grants. The School 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 member is 7% up to a maximum compensation level.

The total contributions for employees of Tulsa School of Arts and Sciences covered by the System for the year 2013, 2012 and 2011 were \$133,434.27, \$115,425.92 and \$100,550.06, respectively.

3. Employee Retirement System (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in the 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 Schools. The non-funded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Non-funded pension benefit obligation	<u>\$ 8,397,561,658</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, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

4. Contingencies

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

5. Subsequent Events

Management has evaluated subsequent events through April 8, 2014, which is the date the financial statements were available to be issued.

6. Budget Amendments

The General Fund budget was amended one time during the year by filing a supplemental estimate form with the County Clerk's office in the amount of \$258,786.35. This increased the original General Fund budget from \$1,731,521.45 to \$1,990,307.80.

**TULSA SCHOOL OF ARTS AND SCIENCES NO. E-004, TULSA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2012</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2013</u>
<u>U.S. Department of Education</u>							
<u>Passed Through State Department of Education:</u>							
Special Education, Flowthrough, P.L. 105-17	84.027		\$ 44,017		35,617	44,017	(8,400)
Reach3 Coach Education Jobs	84.140		133,852		133,852	133,852	
Subtotal			177,869	-	169,469	177,869	(8,400)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Cluster:							
National School Lunch Program	10.555				29,298	29,298	
School Breakfast Program	10.553				9,055	9,055	
<i>Total For Program (Cluster)</i>				-	38,353	38,353	-
Total Federal Assistance			\$ 177,869	-	207,822	216,222	(8,400)

NOTE 1: The Schedule of Expenditures of Federal Awards 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: The District did not track expenditures paid from the Child Nutrition federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

NOTE 3: The District expended \$4,213.13 in Indirect Costs during the year and that amount is included in the total expenditures reported above.

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

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY - OKLAHOMA  
SCHOOL ACTIVITY FUND  
REVENUES, EXPENDITURES, AND BALANCES  
07/01/12 TO 06/30/13

<u>ACCOUNT</u>	<u>07/01/12</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/13</u>
NATIONAL ART HONOR SOCIETY	\$1,994.02	\$35.25	\$0.00	\$0.00	\$56.22	\$1,973.05
ART SUPPLY FUND	977.07	3,663.43			2,501.22	2,139.28
MUSICAL THEATRE	12,480.26	5,360.10	600.00		6,737.67	11,702.69
NEWSPAPER/JOURNALISM	831.00	927.00			1,208.20	549.80
TRANSPORTATION	1,910.46	967.00			460.00	2,417.46
YEARBOOK	5,708.45	8,641.00			8,017.95	6,331.50
CLASS OF 2011	2,758.96	0.00			0.00	2,758.96
INSTRUMENTAL MUSIC	766.02	5,735.42			6,501.44	0.00
GRADUATION FUND	3,691.68	3,880.38	664.14		6,466.70	1,769.50
KEY CLUB	24.72	656.76			300.00	381.48
SCIENCE CLUB	116.04	0.00			0.00	116.04
CLASS OF 2012	5,044.53	0.00		(2,000.00)	0.00	3,044.53
CLASS OF 2014	259.45	3,305.35			753.20	2,811.60
NATIONAL HONOR SOCIETY	0.00	596.17			462.03	134.14
ACADEMIC BOWL	501.75	21.00			0.00	522.75
CLASS OF 2013	3,246.53	4,952.25		2,000.00	7,247.35	2,951.43
HISTORY CLUB	838.31	9,778.25			10,200.11	416.45
CLASS OF 2015	95.00	72.50			0.00	167.50
GARDENING CLUB	0.00	99.76			0.00	99.76
DIRECTOR'S DISCRETIONARY	1,282.58	3,693.19			2,950.84	2,024.93
AP TESTS	0.00	3,462.00			3,034.00	428.00
PSAT TESTS	401.50	644.00			597.50	448.00
PHOTOGRAPHY	59.32	397.53			350.65	106.20
SERENADE NIGHT	2,849.77	847.00			1,159.86	2,536.91
SPEECH AND DEBATE	374.02	4,917.00			5,263.49	27.53
LOST BOOKS	0.00	396.50			396.50	0.00
ULTIMATE FRISBEE	161.25	1,859.14			1,735.04	285.35
ON MY LEVEL	3.00	402.45			156.75	248.70
CLASS OF 2016	0.00	475.75			0.00	475.75
CROSS COUNTRY	0.00	1,051.70			0.00	1,051.70
<b>TOTALS</b>	<b>\$46,375.69</b>	<b>\$66,837.88</b>	<b>\$1,264.14</b>	<b>\$0.00</b>	<b>\$66,556.72</b>	<b>\$47,920.99</b>

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

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY - OKLAHOMA  
SCHOOL ACTIVITY FUND  
RECONCILIATION STATEMENT  
07/01/12 TO 06/30/13

<u>DEPOSITORY</u>	<u>DETAIL</u>	<u>TOTALS</u>
CASH	<u>49,130.66</u>	
TOTAL DEPOSITORY		<u>\$49,130.66</u>
<u>FUND</u>		
LEDGER BALANCE	47,920.99	
ADD: 2012-13 OUTSTANDING	1,163.07	
2011-12 OUTSTANDING	<u>46.00</u>	
TOTAL DEPOSITORY		<u>\$49,130.06</u>

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

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY - OKLAHOMA  
SCHOOL ACTIVITY FUND  
CASH STATEMENT  
07/01/12 TO 06/30/13

	<u>TOTAL</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>PRIOR</u>	<u>INVESTMENTS</u>
BEGINNING CASH AND INVESTMENTS	\$47,955.94	\$46,375.69	\$1,580.25	\$0.00	\$0.00	\$0.00
<u>REVENUES</u>						
DEPOSITS	67,275.83	67,275.83	0.00			
REDEPOSITS	150.00	150.00				
CHECKS STOPPED	0.00	1,264.14	(1,264.14)			
TOTAL REVENUES	67,425.83	68,689.97	(1,264.14)	0.00	0.00	0.00
<u>EXPENDITURES</u>						
CHECKS PAID	66,101.71	65,831.60	270.11			
RET CKS/RET CK CHGS	150.00	150.00				
TOTAL EXPENDITURES	66,251.71	65,981.60	270.11	0.00	0.00	0.00
ENDING BALANCES	\$49,130.06	\$49,084.06	\$46.00	\$0.00	\$0.00	\$0.00

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

TULSA SCHOOL OF ARTS AND SCIENCES NO. E-004, TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2013

	EXPENDABLE TRUST FUND	AGENCY FUNDS	ACTIVITY FUNDS	TOTALS (Memorandum Only)
<u>ASSETS</u>				
	RECOVERY FUND			2013      2012
Cash	\$ 323,328	47,921		371,249      46,376

LIABILITIES AND FUND EQUITY

Liabilities				
Warrants payable	9,540		9,540	
Funds held for school organizations	15,986	47,921	63,907	46,376
Total liabilities	25,526	47,921	73,447	46,376
Fund Equity				
Cash fund balances	297,802	-	297,802	-
Total Liabilities and Fund Equity	\$ 323,328	47,921	371,249	46,376

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

STATE OF OKLAHOMA )  
  )  
COUNTY OF GARFIELD )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in Full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Tulsa School of Arts and Sciences, Tulsa County, Oklahoma, for the audit year 2012-13.

Chas. W. Carroll, P.A.  
Auditing Firm

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 8<sup>th</sup> day of April, 2014.

*Ram S. Melvin*  
Notary Public



My Commission expires January 29, 2016

# Chas. W. Carroll, P.A.

Hiland Tower – Suite 406  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
Fax 580-234-5425

## 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 Directors  
Tulsa School of Arts and Sciences  
Tulsa County, Oklahoma

I 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 accompanying fund type and account group financial statements, regulatory basis, of Tulsa School of Arts and Sciences, Tulsa County, Oklahoma, as listed in the Table of Contents as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collective comprise the District's combined financial statements and have issued my report thereon dated April 8, 2014. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My 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 my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 deficiency, or a combination of deficiencies, in internal control such that there reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 13-01, 13-02 and 13-03, that I consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. I did not audit the District's response and, accordingly I express no opinion on it.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, school administration, others within the organization, and the School Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Chas. W. Carroll, P.A.

April 8, 2014

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

SCHEDULE OF FINDINGS  
JUNE 30, 2013

Section 1 – Summary of Auditor's Results

13-01 Finding

Statement of Condition – During my testing of expenditures I noted two (2) of 17 Activity Fund purchase orders did not have a requisition, one (1) of 17 did not have an invoice and six (6) of seventeen purchase orders were dated after the invoice or did not have a date. I also noted four (4) of 25 General Fund and two (2) of 17 Activity Fund invoices did not have a signature.

Criteria – All goods and services are to be properly approved before ordering and all invoices should be complete, including date of purchase and signature of personnel receiving goods or services.

Cause/Effect of Condition – Employees were not following purchasing procedures which could lead to unauthorized purchases being made.

Recommendation – I recommend all purchases be approved with a purchase order/requisition prior to the items being ordered and be accompanied by an itemized, dated and signed invoice.

13-02 Finding

Statement of Condition – Pre-numbered receipts were not always utilized by activity fund sponsors and receipts were not turned in to the Activity Fund Custodian on a timely basis.

Criteria – Pre-numbered activity fund receipts shall be issued for every sub-account for each fiscal year and every teacher in the school system should be informed that all monies are to be turned in to the School Activity Fund Custodian on a daily basis.

Cause/Effect of Condition – The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete record.

Recommendation – The District should be following all specific procedures established by the State Department of Education.

13-03 Finding

Statement of Condition – The balance of the Districts funds were in excess of the collateral pledged for the safeguard of deposits at June 30, 2013.

Criteria – It is the responsibility of the official fund custodian to maintain adequate pledges for the safeguard of funds on deposit at all times.

Cause/Effect of Condition – The District did not maintain sufficient pledged securities to insure or guarantee all funds at its depository as required by Oklahoma Statutes (See page 13 of Notes to Financial Statements - Deposit Categories of Credit Risk).

Recommendation – Collateral of District funds should be pledged and maintained on all accounts as required by Oklahoma Statutes.

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2013

No matters were reported.

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".