

REPORT OF AUDIT  
TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

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TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

BOARD OF DIRECTORS

BRIAN BOVAIRD	PRESIDENT
JAMES FORD	VICE-PRESIDENT
GEORGE SCHNETZER	CLERK
KATHY BRETT	MEMBER
ALLYSON WATSON	MEMBER
JAY DUNHAM	MEMBER
JACK H. JENKINS	TREASURER
ERIC DOSS	DIRECTOR

AUDIT BY

PATRICK W. CARROLL  
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

# Chas. W. Carroll, P.A.

The Broadway Tower – Suite 805  
114 E. Broadway

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

## 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, 2014.

### **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, 2014, 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, 2014, 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 March 10, 2015 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 in considering the District's internal control over financial reporting and compliance.



Chas. W. Carroll, P.A.  
March 10, 2015

**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, 2014**

<u>ASSETS</u>	GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPES	TOTALS (Memorandum Only)	
	GENERAL FUND	EXPENDABLE TRUST AND AGENCY FUND	2014	2013
Cash	\$ 322,157	190,070	512,227	292,350
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	73,859	959	74,818	68,224
Encumbrances	3,975	-	3,975	35,110
Funds held for school organizations		46,045	46,045	46,376
Total liabilities	<u>77,834</u>	<u>47,004</u>	<u>124,838</u>	<u>149,710</u>
Fund Equity				
Cash fund balances	<u>244,323</u>	<u>143,066</u>	<u>387,389</u>	<u>142,640</u>
Total Liabilities and Fund Equity	<u>\$ 322,157</u>	<u>190,070</u>	<u>512,227</u>	<u>292,350</u>

**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, 2014**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES		TOTALS	
	GENERAL FUND	EXPENDABLE TRUST	EXPENDABLE TRUST		2014	2013
<b>Revenues</b>						
Local sources	\$ 149,299	1,925			151,224	1,274,776
State sources	1,404,459					
Federal sources	99,170				99,170	207,823
Per Capita sources					-	1,381,997
Non-revenue receipts	2,858				2,858	3,438
Total revenues	<u>1,655,786</u>	<u>1,925</u>			<u>1,657,711</u>	<u>2,868,034</u>
<b>Expenditures</b>						
Instruction	985,781	95,153			1,080,934	1,083,323
Support services	524,940	61,597			586,537	1,018,704
Operation of non-instructional services	132,662				132,662	109,986
Facilities, acquisition and const. services					-	248,954
Other Outlays	1,720				1,720	5,293
Repayments					-	24,784
Total expenditures	<u>1,645,103</u>	<u>156,750</u>			<u>1,801,853</u>	<u>2,491,044</u>
Revenues over (under) expenditures	10,683	(154,825)			(144,142)	376,990
<b>Other financing sources (uses)</b>						
Lapsed appropriations					-	11,741
Estopped warrants			89		89	71
Total other financing sources (uses)			<u>89</u>		<u>89</u>	<u>11,812</u>
Revenue and other sources over (under) expenditures and other uses	10,683	(154,736)			(144,053)	388,802
Cash fund balance, beginning of year	233,640	297,802			531,442	142,640
Cash fund balance, end of year	<u>\$ 244,323</u>	<u>143,066</u>			<u>387,389</u>	<u>531,442</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, 2014**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 218,468	218,468	149,299
State sources	1,359,483	1,413,255	1,404,459
Federal sources	98,409	111,999	99,170
Per Capita sources			
Non-revenue sources			2,858
Total revenues	<u>1,676,360</u>	<u>1,743,722</u>	<u>1,655,786</u>
<b>Expenditures</b>			
Instruction	1,219,280	1,286,642	985,781
Support services	532,303	532,303	524,940
Operation of non-instructional services	134,053	134,053	132,662
Facilities, acquisition and construction	5,625	5,625	
Other outlays	18,739	18,739	1,720
Repayments			
Total expenditures	<u>1,910,000</u>	<u>1,977,362</u>	<u>1,645,103</u>
Revenues over (under) expenditures	(233,640)	(233,640)	10,683
<b>Other financing sources (uses)</b>			
Lapsed appropriations			
Estopped warrants			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	(233,640)	(233,640)	10,683
Cash fund balance, beginning of year	<u>233,640</u>	<u>233,640</u>	<u>233,640</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>244,323</u>

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

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

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, 2014 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.

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.

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO FINANCIAL STATEMENTS

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</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>BALANCE</u>
Cash/Investments	\$ <u>351,957.40</u>	\$ <u>0.00</u>	\$ <u>169,171.21</u>	\$ <u>521,128.61</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 .

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 Government 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 District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal year.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling risks amount the participants of that pool. In accordance with professional standards, the District 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 District's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public School Unemployment Compensation Program. In this program, the District is required to make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

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, 2013 to July 1, 2014.

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, 2013 to July 1, 2014.

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 2013-14 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, 2014. An additional 8.25% 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 2014, 2013 and 2012 were \$127,562.54, \$133,434.27 and \$115,425.92, 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, 2013, is as follows:

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

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

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

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 March 10, 2015, 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 \$67,362.00. This increased the original General Fund budget from \$1,910,000.00 to \$1,977,362.00.

**TULSA SCHOOL OF ARTS AND SCIENCES #E-004  
TULSA COUNTY - OKLAHOMA  
SCHEDULE OF EXPENDITURES AND REVENUES OF FEDERAL AND STATE AWARDS  
ALLOCATIONS & EXPENDITURES  
07/01/13 TO 06/30/14**

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2013	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2014
<b><u>State Department of Education -</u></b>						
Title I	511	16,258.60	0.00	7,027.75	13,677.44	6,649.69
Title II, Part A	541	8,526.52	0.00	3,718.90	5,314.21	1,595.31
IDEA-B Flow Through	621	45,315.02	8,399.93	39,169.95	45,315.02	14,545.00
<b><u>U.S. Department of Agriculture -</u></b>						
Child Nutrition Cluster:						
National School Lunch Program	763	36,766.51	0.00	36,766.51	36,766.51	0.00
School Breakfast Program	764	12,486.42	0.00	12,486.42	12,486.42	0.00
Total Child Nutrition Program			0.00	49,252.93	49,252.93	0.00
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$8,399.93</b>	<b>\$99,169.53</b>	<b>\$113,559.60</b>	<b>\$22,790.00</b>

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 policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 4: The District expended \$3,540.74 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  
07/01/13 TO 06/30/14

<u>ACCOUNT</u>	<u>07/01/13</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/14</u>
NATIONAL ART HONOR SOCIETY	\$1,973.05	\$832.40	\$0.00	\$0.00	\$1,356.34	\$1,449.11
ART SUPPLY FUND	2,139.28	3,912.34		1,000.00	2,495.07	4,556.55
OYO-KNITTING CLUB	0.00	55.50		92.00	0.00	147.50
MUSICAL THEATRE	11,702.69	2,554.48			5,700.06	8,557.11
NEWSPAPER/JOURNALISM	549.80	37.00			300.00	286.80
TRANSPORTATION	2,417.46	309.00			1,922.03	804.43
YEARBOOK	6,331.50	9,734.50			9,748.93	6,317.07
ALUMNI CLASS GIFTS	2,758.96	0.00		3,044.53	0.00	5,803.49
INSTRUMENTAL MUSIC	0.00	1,641.99	46.00	4,591.67	4,430.87	1,848.79
GRADUATION FUND	1,769.50	5,091.48		20.00	6,037.45	843.53
KEY CLUB	381.48	993.50			678.10	696.88
SCIENCE CLUB	116.04	0.02			0.00	116.06
CLASS OF 2012	3,044.53	0.00		(3,044.53)	0.00	(0.00)
CLASS OF 2014	2,811.60	5,701.50		1,000.00	7,101.53	2,411.57
NATIONAL HONOR SOCIETY	134.14	1,371.75			257.80	1,248.09
ACADEMIC BOWL	522.75	0.00			0.00	522.75
CLASS OF 2013	2,951.43	0.00		(2,951.43)	0.00	0.00
HISTORY CLUB	416.45	7,356.25			7,726.41	46.29
CLASS OF 2015	167.50	2,403.64			1,340.00	1,231.14
GARDENING CLUB	99.76	41.46			64.25	76.97
DIRECTOR'S DISCRETIONARY	2,024.93	1,120.28		668.00	3,501.16	312.05
AP TESTS	428.00	2,944.00			2,805.00	567.00
PSAT TESTS	448.00	807.00			659.00	596.00
PHOTOGRAPHY	106.20	33.75		900.00	566.18	473.77
SERENADE NIGHT	2,536.91	7,045.44		(6,491.67)	1,062.74	2,027.94
ANIME CLUB	0.00	227.90			107.91	119.99
SPEECH AND DEBATE	27.53	6,710.25			6,250.45	487.33
LOST BOOKS	0.00	256.14			256.14	0.00
ULTIMATE FRISBEE	285.35	0.00			0.00	285.35
ON MY LEVEL	248.70	110.75			122.62	236.83

CONTINUED ON PAGE 2

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY - OKLAHOMA  
SCHOOL ACTIVITY FUND  
REVENUES, EXPENDITURES, AND BALANCES  
07/01/13 TO 06/30/14

<u>ACCOUNT</u>	<u>07/01/13</u>	<u>REVENUES</u>	<u>ADJUSTMENTS</u>	<u>TRANSFERS</u>	<u>EXPENDITURES</u>	<u>06/30/14</u>
CLASS OF 2016	475.75	66.50	0.00	351.43	0.00	893.68
CROSS COUNTRY	1,051.70	2,784.65		820.00	1,733.47	2,922.88
LADY PHOENIX DANCE TEA	0.00	186.13			96.02	90.11
CLASS OF 2017	0.00	820.00			752.05	67.95
CHILD NUTRITION CLEARING	0.00	1,074.39			1,074.39	0.00
TOTALS	\$47,920.99	\$66,223.99	\$46.00	\$0.00	\$68,145.97	\$46,045.01

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  
07/01/13 TO 06/30/14

<u>DEPOSITORY</u>	<u>DETAIL</u>	<u>TOTALS</u>
CASH-IBC	54,042.01	
CASH-BOK	<u>904.43</u>	
TOTAL DEPOSITORY		<u>\$54,946.44</u>
<u>FUND</u>		
LEDGER BALANCE	46,045.01	
ADD: 2013-14 OUTSTANDING	<u>8,901.43</u>	
TOTAL DEPOSITORY		<u>\$54,946.44</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  
07/01/13 TO 06/30/14

	<u>TOTAL</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>PRIOR</u>	<u>INVESTMENTS</u>
BEGINNING CASH AND INVESTMENTS	\$49,130.06	\$47,920.99	\$1,163.07	\$46.00	\$0.00	\$0.00
<u>REVENUES</u>						
DEPOSITS	67,275.83	67,275.83	0.00			
REDEPOSITS	150.00	150.00				
CHECKS ESTOPPED	0.00	46.00	(46.00)			
TOTAL REVENUES	67,425.83	67,471.83	0.00	(46.00)	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	\$50,304.18	\$49,411.22	\$892.96	\$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, 2014**

	EXPENDABLE TRUST FUND	AGENCY FUNDS	ACTIVITY FUNDS	TOTALS (Memorandum Only)
	RECOVERY FUND			2014 2013
Cash	\$ 144,025	\$46,045		\$190,070
				<u>\$371,249</u>

ASSETS

LIABILITIES AND FUND EQUITY

Liabilities				
Warrants payable	959		959	9,540
Funds held for school organizations		46,045	46,045	63,907
Total liabilities	<u>959</u>	<u>46,045</u>	<u>47,004</u>	<u>73,447</u>
Fund Equity				
Cash fund balances	<u>143,066</u>	<u>-</u>	<u>143,066</u>	<u>297,802</u>
Total Liabilities and Fund Equity	<u>\$ 144,025</u>	<u>\$46,045</u>	<u>\$190,070</u>	<u>\$371,249</u>



# Chas. W. Carroll, P.A.

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302 N. Independence

Enid, Oklahoma 73701  
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## 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, 2014, and the related notes to the financial statements, which collective comprise the District's combined financial statements and have issued my report thereon dated March 10, 2015. 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 14-01 and 14-02, that I consider to be significant deficiencies.

INTERNAL CONTROL/COMPLIANCE REPORT

Tulsa School of Arts and Sciences

Page Two

**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.

**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 District'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 District's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.



Chas. W. Carroll, P.A.

March 10, 2015

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF FINDINGS  
JUNE 30, 2014

Section 1 – Summary of Auditor's Results

14-01 Finding

Statement of Condition – During my testing of expenditures I noted three (3) of 20 Activity Fund purchases did not have a requisition and one (1) of 20 did not have an invoice.

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.

14-02 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, 2014.

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.

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2014

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 purchases did not have a requisition, one (1) of 17 did not have an invoice and six (6) of 17 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.

Current Status - This finding continued in the current fiscal year.

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.

Current Status - This finding was corrected in the current fiscal year

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).

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2014

13-03 Finding (continued)

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

Current Status - This finding continued in the current fiscal year.

TULSA SCHOOL OF ARTS AND SCIENCES  
TULSA COUNTY – OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

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".



## TULSA SCHOOL *of* ARTS *and* SCIENCES

3441 E Archer | Tulsa, OK 74115 | 918.828.7727 | tsas.org

May 24, 2015

Mr. Pat Carrol CPA  
Hiland Tower Suite 406  
302 N Independence  
Enid, OK 73701

Re: FY14 Audit Findings

Finding 14-01

Procedures have been put in place for the 2015 fiscal year to ensure that all purchases will have a purchase order prior to the item being ordered and will be accompanied by an itemized, signed, and dated invoice.

Finding 14-02

After the end of the 2014 Fiscal year, the school moved all accounts to a bank that collateralizes all of our funds at 100% of value.

Eric S Doss  
Director  
Tulsa School of Arts and Sciences