

Chandler School District I-1

Financial Statements
July 1, 2013 to June 30, 2014

(With Independent Auditors' Report Thereon)

Audited By

William A. Ford

Certified Public Accountant

Chandler School District I-1
Lincoln County, Oklahoma
School District Officials
July 1, 2013 to June 30, 2014

Clerk of Board of Education

Kristy Cunningham

Board of Education

President
Vice President
Member
Member
Member

Joseph Irby
Tony Jarvis
Woody Elmore
Jeree Milligan
Tony Lee

School District Treasurer

Philip Boyd

Superintendent of Schools

Wayland Kimble

CHANDLER INDEPENDENT SCHOOL DISTRICT NO. 1-1
LINCOLN COUNTY, OKLAHOMA
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

TELEPHONE
(405) 258-2405

The Honorable Board of Education
Chandler School District I-1
Lincoln County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements - regulatory basis of the Chandler School District I-1, Lincoln County, Oklahoma, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions prescribed or permitted by the Oklahoma State Department of Education. 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 an opinion 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 the standards applicable to financial audits contained in *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 amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 audit opinion.

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

As discussed in Note 1 to the financial statements, the financial statements are prepared by the Chandler School District I-1, Lincoln County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which 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 in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Chandler School District I-1, Lincoln County, Oklahoma, as of June 30, 2014, or the revenues, expenses, and changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to in the first paragraph 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. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type and account group of Chandler School District I-1, Lincoln County, Oklahoma, as of June 30, 2014, and the revenues collected and expenditures paid and encumbered 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-regulatory basis, and other schedules as listed in the table of contents, under supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. The Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and/or the Oklahoma State Department of Education, and is not a required part of the combined financial statements.

The combining financial statements-regulatory basis, and other schedules as listed in the table of contents, under 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. Such information has 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 other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditure 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 9, 2015, on my consideration of Chandler School District I-1, Lincoln County, Oklahoma'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.



Bill Ford, C. P. A.

March 9, 2015

COMBINED FINANCIAL STATEMENTS

CHANDLER, SCHOOL DISTRICT NO. I-1
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
 ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS
 JUNE 30, 2014

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 989,907.60	\$ 289,943.58	\$ 67,729.76	\$ 1,176,289.10
Investments	0.00	0.00	0.00	0.00
Amount available in Debt Service Fund	0.00	0.00	0.00	0.00
Amount to be provided for retirement of general long-term debt	0.00	0.00	0.00	0.00
Amount to be provided for capitalized lease agreements	0.00	0.00	0.00	0.00
Amount to be provided for compensated absences and early retirement incentive	0.00	0.00	0.00	0.00
Total assets	\$ 989,907.60	\$ 289,943.58	\$ 67,729.76	\$ 1,176,289.10
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants payable	\$ 577,645.48	\$ 28,219.85	\$ 0.00	\$ 8,288.46
Encumbrances	0.00	0.00	0.00	0.00
Due to others	0.00	0.00	0.00	0.00
General obligation bonds payable	0.00	0.00	0.00	0.00
Interest payable	0.00	0.00	0.00	0.00
Judgments payable	0.00	0.00	0.00	0.00
Capitalized lease obligations payable	0.00	0.00	0.00	0.00
Compensated absence	0.00	0.00	0.00	0.00
Early retirement incentive	0.00	0.00	0.00	0.00
Total liabilities	577,645.48	28,219.85	0.00	8,288.46
Fund equity:				
Unreserved:				
Designated for capital projects	0.00	0.00	0.00	1,168,000.64
Designated for debt service	0.00	0.00	67,729.76	0.00
Undesignated	412,262.12	261,723.73	0.00	0.00
Total cash fund balances	412,262.12	261,723.73	67,729.76	1,168,000.64
Total liabilities and fund equity	\$ 989,907.60	\$ 289,943.58	\$ 67,729.76	\$ 1,176,289.10

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

Fiduciary Fund Types	Account Group	Total
Trust and Agency	General Long-Term Debt	(Memorandum Only - Note 1) 2014
\$ 141,449.69	\$ 0.00	\$ 2,665,319.73
15,000.00	0.00	15,000.00
0.00	67,729.76	67,729.76
0.00	1,802,270.24	1,802,270.24
0.00	0.00	0.00
0.00	0.00	0.00
<u>\$ 156,449.69</u>	<u>\$ 1,870,000.00</u>	<u>\$ 4,550,319.73</u>

\$ 8,811.96	\$ 0.00	\$ 622,965.75
0.00	0.00	0.00
147,637.73	0.00	147,637.73
0.00	1,870,000.00	1,870,000.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
<u>156,449.69</u>	<u>1,870,000.00</u>	<u>2,640,603.48</u>

0.00	0.00	1,168,000.64
0.00	0.00	67,729.76
0.00	0.00	673,985.85
<u>0.00</u>	<u>0.00</u>	<u>1,909,716.25</u>
<u>\$ 156,449.69</u>	<u>\$ 1,870,000.00</u>	<u>\$ 4,550,319.73</u>

CHANDLER, SCHOOL DISTRICT NO. I-1
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS - STATUTORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues collected:				
Local sources	\$ 71,961.96	\$ 145,938.30	\$ 0.00	\$ 9,567.40
Intermediate sources	1,425,836.37	172,956.71	583,029.95	0.00
State sources	4,688,640.04	24,979.86	58.42	0.00
Federal sources	538,223.62	243,463.46	0.00	0.00
Total revenues collected	<u>6,724,661.99</u>	<u>587,338.33</u>	<u>583,088.37</u>	<u>9,567.40</u>
Expenditures paid:				
Instruction	4,209,882.90	0.00	0.00	0.00
Support services	2,356,678.24	190,618.94	0.00	12,419.79
Non-Instructional services	0.00	349,779.57	0.00	0.00
Capital outlay	0.00	22,711.66	0.00	335,920.01
Other outlays	18,612.45	33.35	0.00	0.00
Debt service:				
Principal retirement	0.00	0.00	500,000.00	0.00
Interest and fiscal agent charges	0.00	0.00	40,367.50	0.00
Judgments paid	0.00	0.00	0.00	0.00
Total expenditures	<u>6,585,173.59</u>	<u>563,143.52</u>	<u>540,367.50</u>	<u>348,339.80</u>
Excess of revenues over (under) expenditures	<u>139,488.40</u>	<u>24,194.81</u>	<u>42,720.87</u>	<u>-338,772.40</u>
Adjustments to prior year encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other financing sources (uses):				
Bond sale proceeds	0.00	0.00	0.00	0.00
Operating transfers in	0.00	0.00	0.00	0.00
Operating transfers out	0.00	0.00	0.00	0.00
Total other financing sources (uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>139,488.40</u>	<u>24,194.81</u>	<u>42,720.87</u>	<u>-338,772.40</u>
Cash fund balances, beginning of year	<u>272,773.72</u>	<u>237,528.92</u>	<u>25,008.89</u>	<u>1,506,773.04</u>
Cash fund balances, end of year	<u>\$ 412,262.12</u>	<u>\$ 261,723.73</u>	<u>\$ 67,729.76</u>	<u>\$ 1,168,000.64</u>

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

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only - Note 1) 2014
\$ 0.00	\$ 227,467.66
0.00	2,181,823.03
0.00	4,713,678.32
0.00	781,687.08
0.00	7,904,656.09
0.00	4,209,882.90
0.00	2,559,716.97
0.00	349,779.57
0.00	358,631.67
0.00	18,645.80
0.00	500,000.00
0.00	40,367.50
0.00	0.00
0.00	8,037,024.41
0.00	-132,368.32
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	-132,368.32
0.00	2,042,084.57
\$ 0.00	\$1,909,716.25

CHANDLER, SCHOOL DISTRICT NO. I-1
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN
 CASH FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE
 (BUILDING AND CHILD NUTRITION ONLY) FUNDS - STATUTORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Beginning cash fund balances, budgetary basis	\$ 272,773.72	\$ 272,773.72	\$ 0.00
Revenues:			
Local sources	0.00	71,961.96	71,961.96
Intermediate sources	1,281,018.37	1,425,836.37	144,818.00
State sources	4,291,786.87	4,688,640.04	396,853.17
Federal sources	492,564.70	538,223.62	45,658.92
Total revenues, budgetary basis	6,065,369.94	6,724,661.99	659,292.05
Expenditures:			
Instruction	4,308,732.29	4,209,882.90	98,849.39
Support services	2,355,900.70	2,356,678.24	-777.54
Non-Instructional services	0.00	0.00	0.00
Capital outlay	0.00	0.00	0.00
Other outlays	18,612.45	18,612.45	0.00
Total expenditures, budgetary basis	6,683,245.44	6,585,173.59	98,071.85
Excess of revenues and beginning cash fund balances over (under) expenditures - budgetary basis	\$ -345,101.78	412,262.12	\$ 757,363.90
Adjustments to prior year encumbrances		0.00	
Other financing sources (uses):			
Operating transfers in		0.00	
Operating transfers out		0.00	
Total other financing sources (uses)		0.00	
Excess of revenues, other sources, and beginning cash fund balances over (under) expenditures and other uses		412,262.12	
Ending cash fund balances		\$ 412,262.12	

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

Special Revenue Funds

Budget	Actual	Variance
\$ 237,528.92	\$ 237,528.92	\$ 0.00
94,704.53	145,938.30	51,233.77
166,547.19	172,956.71	6,409.52
5,339.26	24,979.86	19,640.60
<u>221,006.95</u>	<u>243,463.46</u>	<u>22,456.51</u>
<u>487,597.93</u>	<u>587,338.33</u>	<u>99,740.40</u>
0.00	0.00	0.00
259,708.94	190,618.94	69,090.00
442,692.90	349,779.57	92,913.33
22,711.66	22,711.66	0.00
33.35	33.35	0.00
<u>725,146.85</u>	<u>563,143.52</u>	<u>162,003.33</u>
\$ <u>-20.00</u>	<u>261,723.73</u>	\$ <u>261,743.73</u>
	<u>0.00</u>	
	0.00	
	<u>0.00</u>	
	<u>0.00</u>	
	261,723.73	
	<u>\$ 261,723.73</u>	

CHANDLER SCHOOL DISTRICT I-1
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Chandler Public Schools Independent District No. 1 (the "District") have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The Chandler School Board of Education is the basic level of government which has financial accountability and control over all activities related to the public school education of the district. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no potential component units as defined in Governmental Accounting Standards Board statement 14 which are included in the District's reporting entity.

B. Fund Accounting and Description of Funds

The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures.

Governmental Fund Types - Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The following funds are used by the district:

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.

Special Revenue Fund - The special revenue fund is the District's Building Fund, and the Child Nutrition Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund consists of monies from federal, state and local sources, restricted for meals served or food sold.

Debt Service Fund - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund - The capital projects fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovation existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund - The Agency Fund is the School Activities fund which is used to account for monies collected principally through fund raising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

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

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal.

General Fixed Asset Account Group - The account group is used to account for property, plant and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only - Total Columns - The total columns presented in the combined financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals; thus, they do not present consolidated information and do not purport to present financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

C. Basis of Accounting and Presentation

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

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

Encumbrances represented by purchase orders, contracts, and other commitments for the expenditures of monies and are recorded as expenditures when approved.

Investments and inventories are recorded as assets when purchased.

Warrants payable are recorded as liabilities when issued.

Long-term debt is recorded when incurred.

Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measureable, 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.

Revenues from local sources consist primarily of property taxes, and are recognized when received. Revenues received from the State Department of Education, U.S. Department of Education, and investment earnings are recognized when received.

D. Budgets

The district is required by state law to adopt annual budgets. Each budget is presented on the regulatory basis of accounting which is a prescribed basis of accounting other than generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- A. Prior to July 1 of the preceding fiscal year, the district prepares a preliminary estimate of needs (budget). This budget is prepared primarily to authorize the district to expend funds until the operating budget is prepared.
- B. The operating budget is prepared based on data received from the State Department of Education and county.
- C. The excise board of the county approves the budget after the tax conference, usually the first week in September.
- D. The board of education adopts the budget after publication in the newspaper and public notice of the meeting.
- E. The budget is then filed with the State Department of Education and county.

Once a budget is approved, it can be amended only by approval of a majority of members of the board of education. Supplemental appropriations of original budget amounts are prepared prior to year end to authorize additional expenditures in excess of original budget amounts and must be published. Supplemental budgets were \$363,769.19 in the General Fund.

E. Assets, Liabilities, and Fund Equity

Cash and Investments - Investments are all certificates of deposits recorded at cost. An employee of the school district acts as treasurer for the district, and upon approval of the board makes investments and pays warrants as so directed.

Inventories - Accounting for inventories of materials, supplies and food commodities are not maintained by the district. In accordance with OCAS standards, expenditures for inventory items are recorded as an expenditure when the warrant is issued.

Property Tax Revenues - See Note 3.

Compensated Absences - The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104 which provides an annual sick leave accrual of 10 days per year for certified employees.

Other employees accrue one day sick leave per month. Under state statute any accrued sick leave over 60 days is lost unless the board approves otherwise. Accrued sick leave up to 120 days is accumulated in a "sick bank" which can be used to add up to one years retirement to the Teachers Retirement System. This is an added benefit for retirement and the district has no liability to the "sick bank". The amount of accumulated vested compensated absences and the amount payable from future resources at June 30, 2014, can not be determined. Certified personnel are allowed two days emergency paid leave and three days of personal leave without pay. Non-certified (support) personnel are allowed four days total of either emergency or personal leave, without pay. These days do not accrue. The district is on a regulatory basis of accounting and compensated absences is charged to the district when used.

Teachers do not receive paid vacation, but are paid on the number of days they are required to work (190 days). Maintenance personnel receive two weeks of paid vacation per year if the employee is a 12 month employee. Administrative personnel receive vacation according to their contract. The district has no liability for unused vacation pay since all vacation leave is used or lost if not taken. Vacation pay is charged to operations when taken by the employees.

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights are estimated with a portion budgeted for each school year; however, the District includes only expenditures paid with available financial resources in the combined financial statements.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance - Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

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 districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Statement of Cash Flows - The District is not required to present a statement of cash flows in the fiscal 2014 combined financial statements.

The purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and payments during the year for proprietary and nonexpendable trust funds.

2. CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. In accordance with state statutes, the District's investment policy is: An employee of the school district is the treasurer for the district. The treasurer acts as agent for the district when investing funds. Upon approval of the board the treasurer makes investments as so directed. The depository bank deposits for safekeeping and trusts approved pledged securities in an amount to protect district funds on a day to day basis during the period of the contract. The treasurer maintains these funds. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance. Deposits (cash and certificates) are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and "Investments". The entire bank balance was covered by federal depository insurance or by collateral.

Deposits and Investments - The District's cash deposits and investments at June 30, 2014, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the District or by its agent in the District's name.

Therefore, the District's cash deposits and investments at June 30, 2014, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

3. PROPERTY TAXES

The district's ad valorem property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the district. The assessed value of the roll on January 1, 2013, upon which the levy for the 2014 fiscal year was based was \$33,759,565 (net homestead exemptions).

The tax rates assessed for the year ended June 30, 2014, to finance General Fund operations, Building Fund operations and the payment of principal and interest on general obligation long term debt were \$.03629, \$.00518, and \$.01780 per \$100 valuation, respectively, for a total of \$.0593.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due on December 31 and become delinquent by April 1 following the July 1 levy date. Current tax collection for the year ended June 30, 2014, were 96.9% of the gross tax levied. The district does not account for property tax receivables nor allowances for uncollectible taxes.

4. EMPLOYEES' RETIREMENT PLAN

The District 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 District, the State of Oklahoma, from the well head gas tax, and the participating employees. Participation is required for all teachers and other certified 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 District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with ten 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. 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 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, 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 surviving spouse option and \$18,000 death benefit is available only to those members who joined TRS before July 1, 1992. Beneficiaries of members joining TRS after June 30,

1992, receive a return of contributions plus interest compounded annually. The contribution rates for the Districts, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2014. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. Employees pay their own contributions. The required contribution for participating members is 7%. The compensation for employees covered by the System for the year ended June 30, 2014, was \$3,722,480.64. Total contributions made during the year ended June 30, 2014, by the District amounted to \$353,636.75. Employee contributions during the years ending June 30, 2012, 2013, and 2014, were \$199,828.72, \$204,043.04, and \$195,453.94 respectively.

Additional information and ten-year historical trend information can be obtained from the separately issued Teachers Retirement Systems of Oklahoma Comprehensive Annual Financial Report.

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

5. HEALTH CARE COVERAGE

The District has a life insurance plan with Met Life whereby the District pays \$36.00 annually per employee for \$15,000.00 life insurance. All employees who work at least 30 hours per work week have the option to be covered. The District offers a health insurance plan provided by the Oklahoma State and Educational Group Insurance Board. The District pays \$484.87 per month for health insurance for certified employees who elect to be covered and \$484.87 per month for non-certified employees who elect to be covered. Employees electing not to be covered receive a payment from the district as additional payroll of \$69.71 per month for certified employees and \$189.69 per month for non-certified employees. The State Department of Education reimburses the district at a lower rate for certified and non-certified employees.

6. GENERAL LONG-TERM DEBT

A summary of general long-term debt is as follows:

<u>Description</u>	<u>Balance</u> <u>7-1-13</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6-30-14</u>
General Obligation Bonds:				
1. Originally issued in the interest rate ranging from 2.6%	\$ 500,000.00		\$500,000.00	
2. Originally issued with interest rate of .65-5.2%	<u>\$1,870,000.00</u>			<u>\$1,870,000.00</u>
Totals	<u>\$2,370,000.00</u>		<u>\$500,000.00</u>	<u>\$1,870,000.00</u>

Following is a summary of bond principal and interest payments:

<u>Year Ending</u> <u>6-30</u>	<u>Principle</u>	<u>Interest</u>	<u>Maturities</u>
2015	\$ 40,000.00	17,205.00	57,205.00
2016	610,000.00	14,182.50	624,182.50
2017	610,000.00	9,150.00	619,150.00
2018	<u>610,000.00</u>	<u>3,050.00</u>	<u>613,050.00</u>
Totals	<u>\$1,870,000.00</u>	<u>\$ 43,587.50</u>	<u>\$1,913,587.50</u>

General obligation bonds of the district are reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There were a number of restrictions and limitations contained in the general obligation bond indentures. The district is in compliance with all significant limitations and restrictions at June 30, 2014.

7. LEASES

The school district sold their school buses in July, 1993, and leased these buses back as an operating transportation lease. There are eight route buses and two spare buses that are leased. The monthly lease is \$3,309.31 per bus with additional cost for activity trips. This lease is renewable with cost increases to be no more than 2.5% per fiscal year.

The school district has leases for copiers at a cost of \$3,117 per month depending on the usage.

The district entered into a lease agreement on January 10, 2011, for a baseball field with payments of \$22,711.56 due on February 1.

All of the above are considered operating leases as they may be renewed annually at the option of school district officials.

8. COMMITMENTS AND CONTINGENCIES

Grant Programs - 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 District expects such amounts, if any, to be immaterial.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employee's health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 9, 2015, which is the date the financial statements were available to be issued.

COMBINING FINANCIAL STATEMENTS

CHANDLER, SCHOOL DISTRICT NO. I-1
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
 ALL SPECIAL REVENUE FUNDS - STATUTORY BASIS
 JUNE 30, 2014

	Building Fund	Child Nutrition Fund	Other	Totals 2014
<u>ASSETS</u>				
Cash and cash equivalents	\$ 157,868.72	\$ 132,074.86	\$ 0.00	\$ 289,943.58
Investments	0.00	0.00	0.00	0.00
Total assets	<u>\$ 157,868.72</u>	<u>\$ 132,074.86</u>	<u>\$ 0.00</u>	<u>\$ 289,943.58</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 15,076.33	\$ 13,143.52	\$ 0.00	\$ 28,219.85
Encumbrances	0.00	0.00	0.00	0.00
Total liabilities	<u>15,076.33</u>	<u>13,143.52</u>	<u>0.00</u>	<u>28,219.85</u>
Fund equity:				
Unreserved:				
Undesignated	142,792.39	118,931.34	0.00	261,723.73
Total cash fund balances	<u>142,792.39</u>	<u>118,931.34</u>	<u>0.00</u>	<u>261,723.73</u>
Total liabilities and fund equity	<u>\$ 157,868.72</u>	<u>\$ 132,074.86</u>	<u>\$ 0.00</u>	<u>\$ 289,943.58</u>

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

CHANDLER, SCHOOL DISTRICT NO. I-1
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES -
 ALL SPECIAL REVENUE FUNDS - STATUTORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	Building Fund	Child Nutrition Fund	Other	Totals 2014
Revenues collected:				
Local sources	\$ 67,275.59	\$ 78,662.71	\$ 0.00	\$ 145,938.30
Intermediate sources	172,956.71	0.00	0.00	172,956.71
State sources	17.28	24,962.58	0.00	24,979.86
Federal sources	0.00	243,463.46	0.00	243,463.46
Total revenues collected	<u>240,249.58</u>	<u>347,088.75</u>	<u>0.00</u>	<u>587,338.33</u>
Expenditures paid:				
Instruction	0.00	0.00	0.00	0.00
Support services	190,458.94	160.00	0.00	190,618.94
Non-Instructional services	0.00	349,779.57	0.00	349,779.57
Capital outlay	22,711.66	0.00	0.00	22,711.66
Other outlays	0.00	33.35	0.00	33.35
Total expenditures	<u>213,170.60</u>	<u>349,972.92</u>	<u>0.00</u>	<u>563,143.52</u>
Excess of revenues over (under) expenditures	<u>27,078.98</u>	<u>-2,884.17</u>	<u>0.00</u>	<u>24,194.81</u>
Adjustments to prior year encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other financing sources (uses):				
Operating transfers in	0.00	0.00	0.00	0.00
Operating transfers out	0.00	0.00	0.00	0.00
Total other financing sources (uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>27,078.98</u>	<u>-2,884.17</u>	<u>0.00</u>	<u>24,194.81</u>
Cash fund balances, beginning of year	<u>115,713.41</u>	<u>121,815.51</u>	<u>0.00</u>	<u>237,528.92</u>
Cash fund balances, end of year	<u>\$ 142,792.39</u>	<u>\$ 118,931.34</u>	<u>\$ 0.00</u>	<u>\$ 261,723.73</u>

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

CHANDLER, SCHOOL DISTRICT NO. I-1
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN
CASH FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE
(BUILDING AND CHILD NUTRITION ONLY) FUNDS - STATUTORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Beginning cash fund balances, budgetary basis

Revenues:

Local sources
Intermediate sources
State sources
Federal sources
Total revenues, budgetary basis

Expenditures:

Instruction
Support services
Non-Instructional services
Capital outlay
Other outlays
Total expenditures, budgetary basis

Excess of revenues and beginning cash fund balances
over (under) expenditures - budgetary basis

Adjustments to prior year encumbrances

Other financing sources (uses):

Operating transfers in
Operating transfers out
Total other financing sources (uses)

Excess of revenues, other sources,
and beginning cash fund balances
over (under) expenditures and other uses

Ending cash fund balances

Special Revenue Funds

Building Fund			Child Nutrition Fund		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 115,713.41	\$ 115,713.41	\$ 0.00	\$ 121,815.51	\$ 121,815.51	\$ 0.00
0.00	67,275.59	67,275.59	94,704.53	78,662.71	-16,041.82
166,547.19	172,956.71	6,409.52	0.00	0.00	0.00
0.00	17.28	17.28	5,339.26	24,962.58	19,623.32
0.00	0.00	0.00	221,006.95	243,463.46	22,456.51
<u>166,547.19</u>	<u>240,249.58</u>	<u>73,702.39</u>	<u>321,050.74</u>	<u>347,088.75</u>	<u>26,038.01</u>
0.00	0.00	0.00	0.00	0.00	0.00
259,548.94	190,458.94	69,090.00	160.00	160.00	0.00
0.00	0.00	0.00	442,692.90	349,779.57	92,913.33
22,711.66	22,711.66	0.00	0.00	0.00	0.00
0.00	0.00	0.00	33.35	33.35	0.00
<u>282,260.60</u>	<u>213,170.60</u>	<u>69,090.00</u>	<u>442,886.25</u>	<u>349,972.92</u>	<u>92,913.33</u>
\$ 0.00	142,792.39	\$ 142,792.39	\$ -20.00	118,931.34	\$ 118,951.34
	<u>0.00</u>			<u>0.00</u>	
	0.00			0.00	
	<u>0.00</u>			<u>0.00</u>	
	<u>0.00</u>			<u>0.00</u>	
	142,792.39			118,931.34	
	<u>\$ 142,792.39</u>			<u>\$ 118,931.34</u>	

CHANDLER SCHOOL DISTRICT I-1
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>7/1/13</u>	<u>Receipts</u>	<u>Checks</u>	<u>Balance</u> <u>6/30/14</u>
ASSETS				
First Bank of Chandler	\$136,269.00	\$674,817.03	\$674,649.43	\$136,436.60
BancFirst of Chandler	448.10	55,772.94	51,207.95	5,013.09
Outstanding Checks	(6,821.81)		1,990.15	(8,811.96)
Certificate of Deposit	<u>15,000.00</u>			<u>15,000.00</u>
Total Assets	<u>\$144,895.29</u>	<u>\$730,589.97</u>	<u>\$727,847.53</u>	<u>\$147,637.73</u>
LIABILITIES				
Student Activities	<u>\$106,669.00</u>	<u>\$593,532.00</u>	<u>\$598,617.81</u>	<u>\$101,583.19</u>
ADMINISTRATIVE				
American Cancer Society	\$ 0.00	\$ 3,074.60	\$ 1,159.43	\$ 1,915.17
East Side Vending	22,555.21	29,875.86	33,117.82	19,313.25
Park Road Vending	11,648.52	21,825.78	22,124.38	11,349.92
JH-HS Vending	2,520.29	20,381.04	16,679.79	6,221.54
Interest Earned	1,054.17	5,404.85	4,217.45	2,241.57
General Refund	0.00	722.90	722.90	0.00
Lunch Room Clearing	448.10	55,772.94	51,207.95	5,013.09
Total Administrative	<u>38,226.29</u>	<u>137,057.97</u>	<u>129,229.72</u>	<u>46,054.54</u>
Total-All Agency Funds	<u>\$144,895.29</u>	<u>\$730,589.97</u>	<u>\$727,847.53</u>	<u>\$147,637.73</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CHANDLER SCHOOL DISTRICT I-1
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Title VII	84.060	561	\$ <u>71,252.99</u>
Subtotal			\$ <u>71,252.99</u>
Passed through State Department of Education:			
Title I, A	84.010	511/518	\$ 168,461.70
Title II, A	84.367	541	36,842.25
Idea Flow Thru Part B	84.027	621	210,743.35
Idea Flow Thru Preschool	84.173	641	<u>7,255.72</u>
Subtotal			<u>\$ 423,303.02</u>
Passed through State Department of of Vocational Education:			
Carl Perkins	84.048	421	\$ 11,195.24
Job Training	84.126	456	<u>10,791.65</u>
Subtotal			<u>\$ 21,986.89</u>

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
School Brkfst. Prg.	10.553	764	\$ 76,941.80
National School Lunch Program	10.555	763	<u>166,521.66</u>
Subtotal			<u>\$ 243,463.46</u>
Passed through Department of Human Services:			
Commodities-non-cash	10.550	N/A	<u>\$ 23,411.45</u>
Total Programs			<u>\$ 266,874.91</u>
Total			<u>\$ 783,417.81</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs presented on the regulatory basis of accounting which is a prescribed basis other than generally accepted accounting principles.

NOTE 2 - Commodities received by the district are of a non-monetary nature and therefore does not agree with the financial statements.

CHANDLER SCHOOL DISTRICT I-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Chandler School District I-1, Chandler, Oklahoma, with respect to the use of the regulatory basis of accounting and adverse with respect to conformity with generally accepted accounting principles.
2. No reportable conditions relating to the audit of the financial statements are reported in the auditor's report.
3. No instances of noncompliance material to the financial statements of Chandler School District I-1, Chandler, Oklahoma, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the auditor's report.
5. The auditor's report on compliance for the major federal award programs for Chandler School District I-1, Chandler, Oklahoma, expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Chandler School District I-1, Chandler, Oklahoma, are reported.
7. The programs tested as major programs include: Title I, CFDA No. 84.010, IDEA Flow Thru, CFDA No. 84.027, IDEA Preschool, CFDA No. 84.173, Job Training, CFDA No. 84.126.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Chandler School District I-1, Chandler, Oklahoma, does not qualify to be a low risk auditee

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CHANDLER SCHOOL DISTRICT I-1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

None

CHANDLER SCHOOL DISTRICT I-1
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY
INSURANCE AFFIDAVIT
JULY 1, 2013 TO JUNE 30, 2014

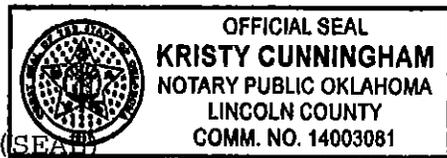
State of Oklahoma)
)
County of Lincoln)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Chandler Public Schools for the audit year 2013-2014.

William A Ford

William A. Ford
Certified Public Accountant

Subscribed and sworn before me this 26 day of Feb., 2015



Notary Public

Kristy Cunningham

My Commission Expires: 3-31-18

CHANDLER SCHOOL DISTRICT I-1
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Bonding Company</u>	<u>Position Covered</u>	<u>Bond Number</u>	<u>Coverage Amount</u>	<u>Effective Dates</u>
Western Surety Company	Treasurer	18307657	\$ 75,000	7/20/13-7/20/14
Western Surety Company	Encumbrance Clerk	69727697	50,000	12/16/13-12/16/14
Western Surety Company	Activity Fund Clerk	68804873	10,000	12/16/13-12/16/14
Western Surety Company	Deputy Treasurer	70689644	50,000	3/2/14-3/2/15
Western Surety Company	Superintendent	70822383	100,000	10/30/13-10/30/14

WILLIAM A. FORD
CERTIFIED PUBLIC ACCOUNTANT
119 MARSHALL DRIVE
CHANDLER, OKLAHOMA 74834

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

TELEPHONE
(405) 258-2405

The Honorable Board of Education
Chandler School District I-1
Chandler, Oklahoma 74079

I have audited the financial statements of Chandler School District I-1 as of and for the year ended June 30, 2014, and have issued my report thereon dated March 9, 2015, which was a special report on the combined financial statements required by the State Department of Education. In my report, my opinion was adverse with regard to the application of accounting principles generally accepted in the United States of America because of the district's policy to prepare its combined financial statements on the regulatory basis of accounting that conforms with the State Department of Education. In my report my opinion with regard to the prescribed basis of accounting was qualified for the omission of the general fixed asset account group. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Chandler School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Chandler School District, Oklahoma's, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chandler School District, Oklahoma's, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Chandler School District, Oklahoma's, internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chandler School District, Oklahoma, combined financial statements are free of material misstatement, I performed test of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with these 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*.

This report is intended solely for the information of the Chandler School Board, management, and the State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Bill Ford, CPA

March 9, 2015

WILLIAM A. FORD
CERTIFIED PUBLIC ACCOUNTANT
119 MARSHALL DRIVE
CHANDLER, OKLAHOMA 74834

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133

TELEPHONE
(406) 258-2405

The Honorable Board of Education
Chandler School District I-1
Lincoln County, Oklahoma

Report on Compliance for Each major Federal Program

I have audited the compliance of Chandler School District I-1, Lincoln County, Oklahoma (District's), compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, Chandler School District I-1, Lincoln County, Oklahoma, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

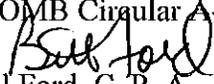
Report on Internal Control Over Compliance

Management of Chandler School District I-1, Lincoln County, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program, on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on, a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Bill Ford, C. P. A.

March 9, 2015