

MANAGEMENT RECOMMENDATION LETTER

The Honorable Board of Education
Grand view School District No. C034
Tahlequah, Oklahoma

I would like to take this opportunity to extend my sincere appreciation to the staff of Grandview School for allowing my interruption of their busy work schedules while conducting the audit field work.

In planning and performing my audit of the financial statements of Grandview School for the year ended June 30, 2015, I considered the organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters that are presented for your consideration. I will review the status of these comments during the next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows.

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board remain involved in the financial affairs of the organization to provide oversight and independent review functions.

Expenditure Testing

During my examination of the expenditures, I noted that there was a PO not signed, and a PO on the incorrect day.

I wish to thank the staff for their support and assistance during my audit.

This report is intended solely for the information and use of the Board, management, and others within the organization.

January 20, 2016



Alan Chapman, CPA

AUDIT REPORT

GRANDVIEW SCHOOL DISTRICT NO. CO34

TAHLEQUAH, CHEROKEE COUNTY, OKLAHOMA

JULY 1, 2014 THROUGH JUNE 30, 2015

AUDITED BY

ALAN CHAPMAN

Certified Public Accountant

401 S. Water Street

TAHLEQUAH, OKLAHOMA

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Grandview School District CO34
Tahlequah, Cherokee County, Oklahoma

I have audited the accompanying combined financial statements - regulatory basis - of Grandview School District No. CO34, Cherokee County, Oklahoma as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2015.

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 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 *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 of material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 reasonable assurance 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 opinions.

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

As discussed in Note 1, these combined financial statements are prepared on a regulatory basis of accounting conforming with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statement resulting from the use of their regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America although not reasonably determined, 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 Grandview School District No. CO34, Cherokee County, Oklahoma, as of June 30, 2015, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting and financial reporting regulations 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 omission of the general fixed assets account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances - regulatory basis of the Grandview School District No. CO34, Cherokee County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, in accordance with 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 reported dated June 30, 2015, on my consideration of the Grandview School District No. CO34, Cherokee County, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Other Matters

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements - regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements - regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with generally accepted in the United States of America. In my opinion, the combined statements - regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 20, 2016

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

**GRANDVIEW SCHOOL DISTRICT CO34
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2015**

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COMBINED FINANCIAL STATEMENTS

GRANDVIEW SCHOOL DISTRICT NO. C034
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2015

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	Note 1) 2015
ASSETS						
Cash and Investments	\$ 917,560.09	\$ 201,378.75	\$ 70,182.65	\$ 49,899.87	\$ -	\$ 1,239,021.36
Amounts to be Provided for Capitalized Lease Agreements	-	-	-	-	35,110.21	35,110.21
Amount Available in Debt Service Fund	-	-	-	-	70,182.65	70,182.65
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-	459,817.38	459,817.38
Total Assets	\$ 917,560.09	\$ 201,378.75	\$ 70,182.65	\$ 49,899.87	\$ 565,110.24	\$ 1,804,131.60
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants Payable	\$ 254,500.43	\$ 13,446.06	\$ -	\$ -	\$ -	\$ 267,946.49
Due to Others	-	-	-	49,899.87	-	49,899.87
Capitalized Lease Obligations Payable	-	-	-	-	35,110.21	35,110.21
General Obligation Bonds Payable	-	-	-	-	530,000.00	530,000.00
Total Liabilities	254,500.43	13,446.06	-	49,899.87	565,110.21	882,956.57
Fund Balances:						
Designated for Capital Projects	-	-	70,182.65	-	-	70,182.65
Undesignated	663,059.66	187,932.69	-	-	-	850,992.35
Total Fund Balances	663,059.66	187,932.69	70,182.65	-	-	921,175.00
Total Liabilities and Fund Balances	\$ 917,560.09	\$ 201,378.75	\$ 70,182.65	\$ 49,899.87	\$ 565,110.21	\$ 1,804,131.57

The accompanying notes and auditors report are an integral part of these financial statements.

GRANDVIEW SCHOOL DISTRICT NO. C034
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
REGULATORY BASIS
JUNE 30, 2015

	Governmental Fund Types			Total (Memorandum Only
	General	Special Revenue	Debt Service	Note 1) 2015
<u>REVENUES:</u>				
Local Sources	\$ 544,619.13	\$ 39,858.94	\$ -	\$ 584,478.07
Intermediate Sources	63,719.93	62,587.16	112,338.18	238,645.27
State Sources	3,305,630.36	0.53	-	3,305,630.89
Federal Sources	1,294,662.88	-	-	1,294,662.88
Total Revenues Collected	<u>5,208,632.30</u>	<u>102,446.63</u>	<u>112,338.18</u>	<u>5,423,417.11</u>
<u>EXPENDITURES:</u>				
Instruction	3,159,107.60	-	-	3,159,107.60
Support Services	1,548,123.62	108,983.79	-	1,657,107.41
Non-Instructional Services	450,562.11	-	-	450,562.11
Capital Outlay	-	17,577.40	-	17,577.40
Other Outlays	860.17	-	-	860.17
<u>Debt Service:</u>				
Principal Retirement	-	-	100,000.00	100,000.00
Interest and Fiscal Agent Charges	-	-	18,270.00	18,270.00
Total Expenditures	<u>5,158,653.50</u>	<u>126,561.19</u>	<u>118,270.00</u>	<u>5,403,484.69</u>
Excess of Revenues Over (Under) Expenditures	<u>49,978.80</u>	<u>(24,114.56)</u>	<u>(5,931.82)</u>	<u>19,932.42</u>
Adjustments to Prior Year Encumbrances	<u>743.85</u>	<u>-</u>	<u>-</u>	<u>743.85</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	50,722.65	(24,114.56)	(5,931.82)	20,676.27
Beginning Fund Balances	<u>612,337.01</u>	<u>212,047.25</u>	<u>76,114.47</u>	<u>900,498.73</u>
Ending Fund Balances	<u>\$ 663,059.66</u>	<u>\$ 187,932.69</u>	<u>\$ 70,182.65</u>	<u>\$ 921,175.00</u>

The accompanying notes and auditors report are an integral part of these financial statements.

GRANDVIEW SCHOOL DIST. NO. CO34
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			Special Revenue Funds (Building Only)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES COLLECTED:						
Local sources	\$ 399,403.26	\$ 399,403.26	\$ 544,619.13	\$ -	\$ -	\$ 39,858.94
Intermediate sources	49,496.03	49,496.03	63,719.93	57,148.76	57,148.76	62,587.16
State sources	2,890,147.63	2,890,147.63	3,305,630.36	-	-	0.53
Federal sources	458,106.18	1,126,200.76	1,294,662.88	-	-	-
Total revenues collected	<u>3,797,153.10</u>	<u>4,465,247.68</u>	<u>5,208,632.30</u>	<u>57,148.76</u>	<u>57,148.76</u>	<u>102,446.63</u>
EXPENDITURES PAID:						
Instruction	2,398,233.96	3,066,328.54	3,159,107.60	-	-	-
Support services	1,559,500.00	1,559,500.00	1,548,123.62	249,196.01	249,196.01	108,983.79
Non-instructional services	451,000.00	451,000.00	450,562.11	-	-	-
Capital outlays	-	-	-	20,000.00	20,000.00	17,577.40
Other outlays	1,500.00	1,500.00	860.17	-	-	-
Total expenditures paid	<u>4,410,233.96</u>	<u>5,078,328.54</u>	<u>5,158,653.50</u>	<u>269,196.01</u>	<u>269,196.01</u>	<u>126,561.19</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(613,080.86)</u>	<u>(613,080.86)</u>	<u>49,978.80</u>	<u>(212,047.25)</u>	<u>(212,047.25)</u>	<u>(24,114.56)</u>
Adjustments to prior year encumbrances	<u>743.85</u>	<u>743.85</u>	<u>743.85</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(612,337.01)</u>	<u>(612,337.01)</u>	<u>50,722.65</u>	<u>(212,047.25)</u>	<u>(212,047.25)</u>	<u>(24,114.56)</u>
Fund balance, beginning of year	<u>612,337.01</u>	<u>612,337.01</u>	<u>612,337.01</u>	<u>212,047.25</u>	<u>212,047.25</u>	<u>212,047.25</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,059.66</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,932.69</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**GRANDVIEW SCHOOL DIST. NO. CO34
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
 BUDGETED GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Debt Service Fund		
	Original Budget	Final Budget	Actual
<u>REVENUES COLLECTED:</u>			
Local sources	\$ -	\$ -	\$ -
Intermediate sources	112,338.18	112,338.18	112,338.18
State sources	-	-	-
Federal sources	-	-	-
Total revenues collected	112,338.18	112,338.18	112,338.18
<u>EXPENDITURES PAID:</u>			
Principal Retirement	100,000.00	100,000.00	100,000.00
Interest and Agent Charges	18,270.00	18,270.00	18,270.00
Total expenditures paid	118,270.00	118,270.00	118,270.00
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(5,931.82)	(5,931.82)	(5,931.82)
Adjustments to prior year encumbrances	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(5,931.82)	(5,931.82)	(5,931.82)
Fund balance, beginning of year	76,114.47	76,114.47	76,114.47
Fund balance, end of year	\$ 70,182.65	\$ 70,182.65	\$ 70,182.65

The accompanying notes and auditors report are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grandview School District No. CO34 (the "District") have been prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is another comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The accounting policies are prescribed or permitted by the Oklahoma State Department of Education and conform to the system of accounting authorized by the State of Oklahoma. The following is a summary of the more significant accounting policies:

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 governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

The Board of School Trustees (Board), an elected three member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public school education within the jurisdiction of the local dependent school 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 in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

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).

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.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - The first Special Revenue Fund the District has is the District's Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Debt Service Fund - The Debt Service Fund is the District's Sinking fund 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 used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, construction and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (Internal Service Funds). The District does not have any Proprietary Funds.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. 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 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, for collecting, disbursing, and accounting for these Activity Funds.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups

Account Groups are not funds, and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in Proprietary Funds.

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 debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

General Fixed Asset Account Group - This account group is used to account for property, plant, and equipment of the District. This District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes.

Memorandum Only - Total Column

The total column on the 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 or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. BASIS OF ACCOUNTING

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 - and Management's Discussion and Analysis - for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

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

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate. A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Funds (Building Fund and Child Nutrition Fund) that includes revenues and expenditures.

The 2014-2015 Estimate of Needs was approved by the Board and subsequently filed with the county clerk. The Estimate of Needs was approved by the excise board and the requested levies were made.

E. ENCUMBRANCES

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 District. Appropriations not used or encumbered lapse at the end of the year.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Cash Equivalents - The District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of bank certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2015, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

Fixed Assets and Property, Plant, and Equipment - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Compensated Absences - 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 or vacation leave. Vested accumulated rights to receive sick pay benefits or vacation leave would be reported in the General Long-Term Debt Account Group since none of the vested sick leave is expected to be liquidated with expendable available financial resources; however, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

Long-Term Debt - Long-Term Debt is recognized as a liability of 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.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

G. REVENUES, EXPENSES, AND EXPENDITURES

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

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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.

Subsequent Events - Subsequent events have been evaluated through January 20, 2015, which is the date the financial statements were available to be issued.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Transfers

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. There were no operating transfers or residual equity transfers during fiscal year 2015.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risk Management - The District participates in a risk pool for worker's compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense.

NOTE 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, 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:

Deposits and Investments - The District's cash deposits and investments at June 30, 2015, 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, 2015, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

**GRANDVIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Project Code</u>	<u>CFDA #</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-14</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable At 6-30-15</u>
U.S. DEPARTMENT OF EDUCATION							
<u>Direct Programs:</u>							
Title VII Indian Education	561	84.060	\$ 65,635.00	\$ 68,181.79	\$ 127,201.11	\$ 78,966.89	\$ 19,947.57
Title VIII Impact Aid	591/592	84.041	-	-	219,195.10	219,195.10	-
Rural Education Achievement	588	84.358A	25,365.00	-	25,365.00	25,365.00	-
OELA Native American Language Acquisition	572	84.365C	191,716.20	59,087.11	180,018.13	180,018.13	59,087.11
<u>Pass-through State Department of Education</u>							
Title I	511	84.010	162,447.23	40,776.02	167,320.61	154,870.04	28,325.45
21st Century Community Learning Center REAP Cluster	553/554	84.287	128,198.90	25,781.51	120,550.00	127,575.74	32,807.25
REAP Title II, Part A	586	84.367	34,227.30	804.46	21,637.06	19,218.32	(1,614.28)
Total for Program (Cluster)			<u>34,227.30</u>	<u>804.46</u>	<u>21,637.06</u>	<u>19,218.32</u>	<u>(1,614.28)</u>
Special Education Cluster							
Flow Through IDEA B	621	84.027	-	19,985.57	110,780.46	105,405.38	14,610.49
Preschool IDEA B	641	84.173	-	504.92	3,035.63	2,776.16	245.45
Total for Special Education Cluster			<u>-</u>	<u>20,490.49</u>	<u>113,816.09</u>	<u>108,181.54</u>	<u>14,855.94</u>
Total U.S. Department of Education			<u>324,873.43</u>	<u>87,852.48</u>	<u>423,323.76</u>	<u>409,845.64</u>	<u>74,374.36</u>
U.S. DEPARTMENT OF AGRICULTURE							
<u>Pass-through State Department of Education</u>							
Child Nutrition Cluster							
School Breakfast Program - cash assistance	764	10.553	77,931.66	-	77,931.66	77,931.66	-
Summer Food Service Program	766	10.559	12,422.05	-	12,422.05	12,422.05	-
National School Lunch Program:							
Cash assistance	763	10.555	223,518.94	-	223,518.94	223,518.94	-
Non-cash assistance: commodities	385	10.550	-	-	-	-	-
Total National School Lunch Program			<u>223,518.94</u>	<u>-</u>	<u>223,518.94</u>	<u>223,518.94</u>	<u>-</u>
Total for Program (Cluster)			<u>313,872.65</u>	<u>-</u>	<u>313,872.65</u>	<u>313,872.65</u>	<u>-</u>
<u>OTHER FEDERAL ASSISTANCE</u>							
Medicaid	698	93.778	-	-	964.49	964.49	-
Johnson O'Malley	563	15.130	14,760.00	6,796.07	252.76	-	6,543.31
Total Federal Grants and Assistance				<u>\$ 221,917.45</u>	<u>\$ 1,290,193.00</u>	<u>\$ 1,228,227.90</u>	<u>\$ 159,952.35</u>

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2015.

NOTE 5: GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without the approval by the District's voters. General long-term debt of the District consists of lease/purchase agreements, *and general obligation bonds.*

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

	<u>Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
Balance July 1, 2014	\$ 630,000.00	\$ 46,813.59	\$ 676,813.59
Additions	0.00	0.00	0.00
Retirements	<u>100,000.00</u>	<u>11,703.38</u>	<u>111,703.38</u>
Balance June 30, 2015	<u>\$ 530,000.00</u>	<u>\$ 35,110.21</u>	<u>\$ 576,110.21</u>

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

Dependent School District C034 Building Bonds
original issue \$930,000.00 interest rates of 2.15% to 4.50%
due in annual installments of \$100,000.00, final payment
of \$130,000.00 due May 1, 2020.

Total Outstanding \$530,000.00

The annual debt service requirements for retirements of bond principal and payment of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	100,000.00	15,920.00	116,120.00
2017	100,000.00	13,155.00	113,155.00
2018	100,000.00	10,390.00	110,390.00
2019	100,000.00	7,625.00	107,625.00
2020	<u>130,000.00</u>	<u>4,860.00</u>	<u>134,860.00</u>
Total	<u>\$530,000.00</u>	<u>\$ 51,950.00</u>	<u>\$581,950.00</u>

Interest expense on general long-term debt incurred during the current year totals \$18,270.00.

As disclosed in Note 1 to the Financial Statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the General Long-Term Account Group.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5: GENERAL LONG-TERM DEBT (Continued)

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

<u>Year Ending June 30</u>	<u>Bus</u>
2016	12,686.41
2017	12,686.41
2018	<u>12,686.41</u>
Total Minimum Lease Payments	\$38,059.23
Less: Amount Representing Interest	<u>2,949.02</u>
Present Value of Future Minimum Lease Payments	<u>\$35,110.21</u>

NOTE 6: OTHER POST EMPLOYMENT BENEFITS

The District does not offer any early retirement incentive plans.

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM

The District participates in the state administered Oklahoma Teacher's 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, 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 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 five 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. If joining the system before 1992, 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 (if under \$40,000.00 of compensation) of contributory service multiplied by the number of years of credited service. If joining the system after 1992, 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 five consecutive year of contributory service multiplied by the number of years of credited service.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)

A participant in the system whose compensation is over \$40,000.00, the normal retirement benefit, is calculated using a two tier calculation. Tier one calculation is equal to two percent of \$40,000.00 times the number of years of credited service before July 1, 1995. Tier two calculation is equal to two percent of the appropriate three or five year average earnings times the number of years of credited service after July 1, 1995. 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 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 member, employer, and State contribution rates are established by law and applied to the employee's earnings, plus employer paid fringe benefits. The contribution rate for the year ended June 30, 2015 was 9.50%. In addition, the State of Oklahoma contributes 5.00% of revenues and sales taxes, use taxes, corporate income taxes and individual taxes and lottery proceeds.

The compensation for employees covered by the System for the year ended June 30, 2015 was \$1,816,210; the District's total compensation was \$3,450,792. Total contributions made during the year ended June 30, 2015 by the District amounted to \$471,578 which represents \$299,292 for the 9.50% statutory and \$172,289 for the 7% contribution paid by the employees. These contributions represented 15.2% of covered compensation. The District is required to match the retirement paid on salaries paid with federal funds.

The District's contributions to the System for the years ending June 30, 2015, 2014, and 2013 were \$299,292, 275,404 and \$245,404, respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The Oklahoma Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System.

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

**GRAND VIEW SCHOOL DISTRICT NO. CO34
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)

Schedule of Funding Progress (dollars in millions) (unaudited)

Actuarial Valuation Date	Actuarial Value of Assets(AVA) (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(b-a)	Funder Ratio(a/b)	Annual Covered Payroll(c)	UAAL as % of Covered Payroll (b-a)/(c)
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	243.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
June 30, 2011	9,960.5	17,560.8	7,600.2	56.7%	3,773.3	201.4%
June 30, 2012	10,190.5	18,588.0	8,397.6	54.8%	3,924.8	214.0%
June 30, 2013	10,861.1	18,973.2	8,112.1	57.2%	3,933.1	206.3%
June 30, 2014	12,369.0	19,575.6	7,206.6	63.2%	4,002.9	180.0%

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

NOTE 8: CONTINGENCIES AND OTHER COMMITMENTS

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.

NOTE 9: INSURANCE COVERAGE

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and worker's compensation.

NOTE 10: SURETY BONDS

The District has the following surety bonds: Superintendent Bond # 71189142, for the sum of \$100,000.00 dated 04/15/2015-04/15/2016, Encumbrance and Minutes Clerk bond # 24808746, for the sum of \$1,000.00 dated 08/27/2014-08/27/2015, Lunch and Activity Fund Custodian bond # 70541137, for the sum of \$2,000.00 dated 09/28/2014-09/28/2015, Lunch and Activity Fund Custodian bond # 71189156, for the sum of \$2,000.00 dated 07/01/2014-07/01/2015. The treasurer also has surety bond #69773654 in the amount of \$100,000, which is continuous since 2004 with Western Surety.

COMBINING FINANCIAL STATEMENTS

**GRANDVIEW SCHOOL DISTRICT NO. CO34
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2015**

	Building Fund	Total
<u>ASSETS</u>		
Cash and Investments	\$ 201,378.75	\$ 201,378.75
Total Assets	\$ 201,378.75	\$ 201,378.75
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Warrants Payable	\$ 13,446.06	\$ 13,446.06
Total Liabilities	13,446.06	13,446.06
Fund Balances:		
Undesignated	187,932.69	187,932.69
Total Fund Balances	187,932.69	187,932.69
Total Liabilities and Fund Balances	\$ 201,378.75	\$ 201,378.75

The accompanying notes and auditors report are an integral part of these financial statements.

GRANDVIEW SCHOOL DISTRICT NO. C034
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Building Fund	Total (Memorandum Only) Note 1) 2015
<u>REVENUES:</u>		
Local Sources	\$ 39,858.94	\$ 39,858.94
Intermediate Sources	62,587.16	62,587.16
State Sources	0.53	0.53
Federal Sources	-	-
Total Revenues Collected	102,446.63	102,446.63
<u>EXPENDITURES:</u>		
Instruction	-	-
Support Services	108,983.79	108,983.79
Non-Instructional Services	-	-
Capital Outlay	17,577.40	17,577.40
Other Outlays	-	-
Total Expenditures	126,561.19	126,561.19
Excess of Revenues Over (Under) Expenditures	(24,114.56)	(24,114.56)
Adjustments to Prior Year Encumbrances	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,114.56)	(24,114.56)
Beginning Fund Balances	212,047.25	212,047.25
Ending Fund Balances	\$ 187,932.69	\$ 187,932.69

The accompanying notes and auditors report are an integral part of these financial statements.

GRANDVIEW SCHOOL DIST. NO. CO34
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE (BUILD., CHILD NUT., CO-OP) FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Building Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>REVENUES COLLECTED:</u>			
Local sources	\$ -	\$ -	\$ 39,858.94
Intermediate sources	57,148.76	57,148.76	62,587.16
State sources	-	-	0.53
Federal sources	-	-	-
Total revenues collected	<u>57,148.76</u>	<u>57,148.76</u>	<u>102,446.63</u>
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support services	249,196.01	249,196.01	108,983.79
Non-instructional services	-	-	-
Capital outlays	20,000.00	20,000.00	17,577.40
Other outlays	-	-	-
Total expenditures paid	<u>269,196.01</u>	<u>269,196.01</u>	<u>126,561.19</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(212,047.25)</u>	<u>(212,047.25)</u>	<u>(24,114.56)</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(212,047.25)	(212,047.25)	(24,114.56)
Fund balance, beginning of year	<u>212,047.25</u>	<u>212,047.25</u>	<u>212,047.25</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,932.69</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**GRANDVIEW SCHOOL DISTRICT NO. CO34
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 FIDUCIARY FUNDS - REGULATORY BASIS
 JUNE 30, 2015**

	Agency Fund	
<u>ASSETS</u>	Activity Fund	Total 2015
Cash and Investments	\$ 49,899.87	\$ 49,899.87
Total Assets	\$ 49,899.87	\$ 49,899.87
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Due to Student Groups	\$ 49,899.87	\$ 49,899.87
Total Liabilities	\$ 49,899.87	\$ 49,899.87
Fund Balances:		
Unreserved:		
Undesignated	-	-
Total Fund Balances	-	-
Total Liabilities and Fund Balances	\$ 49,899.87	\$ 49,899.87

The accompanying notes and auditor's report are an integral part of these financial statements.

GRANDVIEW SCHOOL, DISTRICT NO. CO34
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND
 JUNE 30, 2015

	Child Nutrition Fund	Library Fund	Band Fund	Choir Fund	Yearbook Fund	Student Fund	General Fund	8th Grade Fund	Checkleading Fund	Academic Fund	Athletic Fund	Side Line Choir Fund	Special Ed Fund	Early Childhood Fund	Pre Fund	Power Fund	Totals 2015
ASSETS																	
Cash and Investments	\$ -	\$ 1,727.27	\$ 14,586.01	\$ 468.25	\$ 11.67	\$ 5,655.15	\$ 302.16	\$ 1,314.90	\$ 1,400.66	\$ 1,502.89	\$ 14,027.49	\$ 617.91	\$ 165.01	\$ 1,321.28	\$ 6,379.66	\$ 269.56	\$ 49,899.87
Total Assets	\$ -	\$ 1,727.27	\$ 14,586.01	\$ 468.25	\$ 11.67	\$ 5,655.15	\$ 302.16	\$ 1,314.90	\$ 1,400.66	\$ 1,502.89	\$ 14,027.49	\$ 617.91	\$ 165.01	\$ 1,321.28	\$ 6,379.66	\$ 269.56	\$ 49,899.87
LIABILITIES AND FUND BALANCES																	
Liabilities - Due to Others	\$ -	\$ 1,727.27	\$ 14,586.01	\$ 468.25	\$ 11.67	\$ 5,655.15	\$ 302.16	\$ 1,314.90	\$ 1,400.66	\$ 1,502.89	\$ 14,027.49	\$ 617.91	\$ 165.01	\$ 1,321.28	\$ 6,379.66	\$ 269.56	\$ 49,899.87
Total Liabilities	\$ -	\$ 1,727.27	\$ 14,586.01	\$ 468.25	\$ 11.67	\$ 5,655.15	\$ 302.16	\$ 1,314.90	\$ 1,400.66	\$ 1,502.89	\$ 14,027.49	\$ 617.91	\$ 165.01	\$ 1,321.28	\$ 6,379.66	\$ 269.56	\$ 49,899.87
Fund Balances:																	
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities and Fund Balances	\$ -	\$ 1,727.27	\$ 14,586.01	\$ 468.25	\$ 11.67	\$ 5,655.15	\$ 302.16	\$ 1,314.90	\$ 1,400.66	\$ 1,502.89	\$ 14,027.49	\$ 617.91	\$ 165.01	\$ 1,321.28	\$ 6,379.66	\$ 269.56	\$ 49,899.87

The accompanying notes and auditor's report are an integral part of these financial statements.

**GRANDVIEW SCHOOL DISTRICT NO. CO34
SCHEDULE OF FEDERAL AWARDS EXPENSED
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Approved Amount</u>	<u>Balance at June 30, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2015</u>
U.S. DEPARTMENT OF EDUCATION							
<i><u>Direct Programs:</u></i> - Note 1							
Title VII Indian Education	84.060	561	\$ 65,635.00	\$ 68,181.79	\$ 127,201.11	\$ 78,966.89	\$ 19,947.57
Title VIII Impact Aid	84.041	591	-	-	219,195.10	219,195.10	-
Rural Education Achievement	84.358A	588	25,365.00	-	25,365.00	25,365.00	-
OELA Native American Language Acquisition	84.365C	572	191,716.20	59,087.11	180,018.13	180,018.13	59,087.11
<i><u>Pass-through State Department of Education</u></i>							
Title I	84.010	511	162,447.23	40,776.02	167,320.61	154,870.04	28,325.45
21st Century Community Learning Center REAP Cluster	84.287	553	128,198.90	25,781.51	120,550.00	127,575.74	32,807.25
REAP Title II, Part A	84.367	586	34,227.30	804.46	21,637.06	19,218.32	(1,614.28)
Total for Program (Cluster)			<u>34,227.30</u>	<u>804.46</u>	<u>21,637.06</u>	<u>19,218.32</u>	<u>(1,614.28)</u>
Special Education Cluster							
Flow Through IDEA B	84.027	621	-	19,985.57	110,780.46	105,405.38	14,610.49
Preschool IDEA B	84.173	641	-	504.92	3,035.63	2,776.16	245.45
Total for Special Education Cluster			<u>-</u>	<u>20,490.49</u>	<u>113,816.09</u>	<u>108,181.54</u>	<u>14,855.94</u>
Total U.S. Department of Education			<u>324,873.43</u>	<u>87,852.48</u>	<u>423,323.76</u>	<u>409,845.64</u>	<u>74,374.36</u>
U.S. DEPARTMENT OF AGRICULTURE							
<i><u>Pass-through State Department of Education</u></i>							
Child Nutrition Cluster							
School Breakfast Program - cash assistance	10.553	764	77,931.66	-	77,931.66	77,931.66	-
Summer Food Service Program	10.559	766	12,422.05	-	12,422.05	12,422.05	-
National School Lunch Program:							
Cash assistance	10.555	763	223,518.94	-	223,518.94	223,518.94	-
Non-cash assistance: commodities	10.550	385	-	-	-	-	-
Total National School Lunch Program			<u>223,518.94</u>	<u>-</u>	<u>223,518.94</u>	<u>223,518.94</u>	<u>-</u>
Total for Program (Cluster)			<u>313,872.65</u>	<u>-</u>	<u>313,872.65</u>	<u>313,872.65</u>	<u>-</u>
OTHER FEDERAL PROGRAMS							
Medicaid	93.778	698	29,447.76	-	29,447.76	29,447.76	-
Johnson O'Malley	15.130	563	14,760.00	6,796.07	252.76	-	6,543.31
TOTAL FEDERAL ASSISTANCE			<u>\$ 965,717.04</u>	<u>\$ (70,633.76)</u>	<u>\$ 1,406,447.23</u>	<u>\$ 1,256,711.17</u>	<u>\$ 159,952.35</u>

Note 1 - Funds were expended and properly reported in prior years.

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

Note 3 - Basis of Accounting: is presented on an other comprehensive basis of accounting conforming with accounting practices prescribed or permitted by the Oklahoma State Department of Education.

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

The Honorable Board of Education
Grandview School District No. C034
Tahlequah, Cherokee 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 Grandview School District No. C034, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued my report thereon dated January 20, 2016, which was adverse with respect to the presentation of the financial statements in conformity with the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was qualified for the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Grandview School District No. C034's internal control over financial reporting 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 Grandview School District No. C034's internal control. Accordingly, I do not express an opinion on the effectiveness of the Grandview School District No. C034's internal control.

A deficiency in internal control 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* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material misstatement of the entity's financial statement 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Given these limitations during my audit, I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grandview School District No. CO34's financial statements are free of misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

I noted certain matters that I reported to management of Grandview School District No. CO34 in a separate letter dated January 20, 2016.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 20, 2016



Alan Chapman, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education
Grandview School District, No. CO34
Tahlequah, Cherokee County, Oklahoma

Compliance for Each Major Federal Program

I have audited the compliance of Grandview School District No. CO34 (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended June 30, 2015. Grandview School District No. CO34 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 requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Grandview School District No. CO34's management.

Auditor's Responsibility

My responsibility is to express an opinion on Grandview School District No. CO34's compliance based on my audit of the types of compliance requirement referred to above. I have 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 federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as I considered 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 on the District's compliance.

Opinion on Each Major Federal Program

In my opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Internal Control Over Compliance

The management of the district, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements listed above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less 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, as defined above. However, I noted other matters involving the internal control over financial reporting and its operation that I have reported to the School's management in a separate letter dated January 20, 2016.

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

January 20, 2016



Alan Chapman, CPA

**GRANDVIEW SCHOOL DISTRICT NO. CO34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Year</u>	<u>Federal CFDA Number</u>	<u>Amount of Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Programs:</u>			
Title VII Indian Education	6-30-15	84.060	\$ 78,966.89
Title VIII Impact Aid	6-30-15	84.041	\$ 219,195.10
Rural Education Achievement	6-30-15	84.358A	\$ 25,365.00
OELA Native American Language Acquisition	6-30-15	84.365C	\$ 180,018.13
Pass-through State Department of Education			
Title I	6-30-15	84.010	\$ 154,870.04
21st Century Community Learning Center REAP Cluster	6-30-15	84.287	\$ 127,575.74
REAP Title II, Part A	6-30-15	84.367	<u>\$ 19,218.32</u>
Total for Program (Cluster)			<u>\$ 19,218.32</u>
Special Education Cluster			
Flow Through IDEA B	6-30-15	84.027	\$ 105,405.38
Preschool IDEA B	6-30-15	84.173	<u>\$ 2,776.16</u>
Total for Program (Cluster)			<u>\$ 108,181.54</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through State Department of Education			
Child Nutrition Cluster			
School Breakfast Program - cash assistance	6-30-15	10.553	\$ 77,931.66
Summer Food Service Program	6-30-15	10.559	\$ 12,422.05
National School Lunch Program:			
Cash assistance	6-30-15	10.555	\$ 223,518.94
Non-cash assistance: commodities	6-30-15	10.550	<u>\$ -</u>
Total National School Lunch Program			<u>\$ 223,518.94</u>
Total for Program (Cluster)			<u>\$ 313,872.65</u>
<u>OTHER FEDERAL ASSISTANCE</u>			
Medicaid	6-30-15	93.778	\$ 964.49
Johnson O'Malley	6-30-15	15.130	\$ -
Total Federal Grants and Assistance			<u><u>\$ 1,228,227.90</u></u>

Note: There were no amounts passed to subrecipients.

Note: The expenditures are presented using the regulatory basis of accounting.

Note: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

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

**GRAND VIEW SCHOOL DISTRICT NO. CO34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results:

Financial Statements

Type of Auditor's Report issued: I have audited the accompanying fund type and account group financial statements - regulatory basis - of Grand View School District No. CO34, Cherokee County, Oklahoma as listed in the table of contents, as of and for the year ended June 30, 2015. In my opinion letter, my report was adverse on U.S. Generally Accepted Accounting Principles because the school district prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is prescribed by the laws of the State of Oklahoma. Also my report was qualified with regard to the prescribed basis of accounting because of the omission of the general fixed asset account group.

Internal Control Over Financial Reporting:

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED
Noncompliance material to financial statements noted?	NONE REPORTED

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED

Type of Auditor's Report Issued on Compliance for Major Programs:

In conjunction with the audited combined financial statements-regulatory basis of Grand View School District No. CO34, Tahlequah, Oklahoma, as of and for the year ended June 30, 2015, I have issued my unqualified report hereon dated January 20, 2016, on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	NONE REPORTED
---	---------------

Identification of Major Programs:

Title I, Part A (84.010)	\$154,870.04
Impact Aid (84.041)	219,195.10
21 st Century (84.287)	127,575.74
Native American Language (84.365)	<u>180,018.13</u>
	<u>\$681,659.01</u>

The dollar threshold used to distinguish between type A and type B programs was \$300,000.00. The percentage of coverage of rule was used to achieve 50% of Federal program expenditures.

	<u>YES</u>	<u>NO</u>
Auditee qualified as low-risk auditee?	X	

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Award Findings and Questioned Costs:

No questioned costs were identified.

**GRANDVIEW SCHOOL DISTRICT NO. CO34
STATEMENT OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

PRIOR YEAR FINDINGS:
There were no prior year findings.

Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name GRAND VIEW SCHOOL DISTRICT
County Name CHEROKEE

District Number CO34
County Code _____

Audit Year: 2014-2015

The annual independent audit for the GRAND VIEW SCHOOL DISTRICT
(District Name)
was presented to the Board of Education in an Open Board Meeting on Feb 16, 2016
(Date of Meeting)
by ALAN CHAPMAN CPA *Alan Chapman*
(Independent Auditor) (Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

E. K.
Superintendent of Schools
Mary Ann Kuebler
Board of Education President

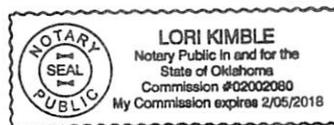
Bob Pan
Board of Education Vice President
Danny W. Telford
Board of Education Member

Board of Education Member

Subscribed and sworn before me on Feb. 16, 2016
(Sworn On)

My Commission expires 02/05/2018

Lori Kimble
(Notary Public)



A copy of the Board Agenda and Board Minutes where the audit was presented and approved must accompany the audit.

**GRANDVIEW SCHOOL DISTRICT NO. CO34
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2014 TO JUNE 30, 2015**

State of Oklahoma

County of Cherokee

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 Grandview School for the audit year 2014-2015.

Alan Chapman, C.P.A.

Alan Chapman

By _____
Authorized Agent

Subscribed and sworn to before me this 20 day of January, 2016.

Lori Kimble
Notary Public



My Commission Number: 02002080

My Commission Expires: 02/05/2018