

AUDIT REPORT

**CHEROKEE COUNTY INTERLOCAL
COOPERATIVE SCHOOL DISTRICT NO. K001**

CHEROKEE COUNTY, OKLAHOMA

JULY 1, 2010 THROUGH JUNE 30, 2011

AUDITED BY

ALAN CHAPMAN

CERTIFIED PUBLIC ACCOUNTANT

401 S. WATER STREET

TAHLEQUAH, OKLAHOMA

CHEROKEE COUNTY INTERLOCAL
COOPERATIVE SCHOOL DISTRICT NO. K001
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Cherokee County Interlocal Cooperative
School District K001
Cherokee County, Oklahoma

I have audited the accompanying fund type and account group financial statements - regulatory basis - of the Cherokee County Interlocal Cooperative School District No. K001, Cherokee County, Oklahoma as of and for the year ended June 30, 2011, as listed in the Table of Contents. These combined financial statements are the responsibility of the Interlocal School District's management. My responsibility is to express an opinion on these combined financial statements - regulatory basis - 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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 cannot be reasonably determined, but is considered material.

As discussed in Note 1, the combined 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.

In my opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally

Independent Auditor's Report (continued)

accepted in the United States of America, the financial position of the Interlocal School District K001, Cherokee County, Oklahoma as of June 30, 2011, or the results of its operations for the year then ended.

However, in my opinion, except for the omission of the General Fixed Asset Account Group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances - regulatory basis of the Interlocal School District K001, Cherokee County, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid and encumbered for the year then ended, in accordance with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 9, 2012, on my consideration of the Interlocal School District K001, Cherokee County, Oklahoma's internal control over financial reporting and 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

My audit was made for the purpose of forming an opinion on the fund type and account group with the combined financial statements. The combining, individual fund, account group, and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Interlocal School District K001. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in my opinion, is 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.

February 9, 2012



Alan Chapman, CPA

COMBINED FINANCIAL STATEMENTS

CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2011

	<u>Governmental Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Total (Memorandum Only</u>
	<u>General</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>Note 1) 2011</u>
ASSETS				
Cash and Investments	\$ 86,080.81	\$ 6,720.13	\$ -	\$ 92,800.94
Amount to be Provided for Capitalized Lease Agreements	-	-	-	-
Total Assets	<u>\$ 86,080.81</u>	<u>\$ 6,720.13</u>	<u>\$ -</u>	<u>\$ 92,800.94</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Payable	\$ 58,560.06	\$ -	\$ -	\$ 58,560.06
Due to Others	-	6,720.13	-	6,720.13
Capitalized Lease Obligations Payable	-	-	-	-
Total Liabilities	<u>\$ 58,560.06</u>	<u>\$ 6,720.13</u>	<u>\$ -</u>	<u>\$ 65,280.19</u>
Fund Balances:				
Undesignated	27,520.75	-	-	27,520.75
Total Fund Balances	<u>27,520.75</u>	<u>-</u>	<u>-</u>	<u>27,520.75</u>
Total Liabilities and Fund Balances	<u>\$ 86,080.81</u>	<u>\$ 6,720.13</u>	<u>\$ -</u>	<u>\$ 92,800.94</u>

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

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS
 ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2011**

	<u>Governmental Fund Types</u>	<u>Total (Memorandum Only Note 1) 2011</u>
	General	
<u>REVENUES:</u>		
Local Sources	\$ 392,959.36	\$ 392,959.36
Intermediate Sources	-	-
State Sources	75,424.30	75,424.30
Federal Sources	435,850.50	435,850.50
Total Revenues Collected	904,234.16	904,234.16
<u>EXPENDITURES:</u>		
Instruction	258,959.57	258,959.57
Support Services	632,787.03	632,787.03
Non-Instructional Services	-	-
Capital Outlay	-	-
Other Outlays	-	-
Total Expenditures	891,746.60	891,746.60
Excess of Revenues Over (Under) Expenditures	12,487.56	12,487.56
Adjustments to Prior Year Encumbrances	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,487.56	12,487.56
Beginning Fund Balances	15,033.19	15,033.19
Ending Fund Balances	\$ 27,520.75	\$ 27,520.75

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

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. KO01
 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, 2011**

	General Fund		
	Original Budget	Final Budget	Actual
<u>REVENUES COLLECTED:</u>			
Local sources	\$ 384,000.00	\$ 384,000.00	\$ 392,959.36
Intermediate sources	-	-	-
State sources	56,728.62	56,728.62	75,424.30
Federal sources	435,850.50	435,850.50	435,850.50
Total revenues collected	876,579.12	876,579.12	904,234.16
<u>EXPENDITURES PAID:</u>			
Instruction	256,112.31	256,112.31	258,959.57
Support services	635,500.00	635,500.00	632,787.03
Non-instructional services	-	-	-
Capital outlays	-	-	-
Other outlays	-	-	-
Total expenditures paid	891,612.31	891,612.31	891,746.60
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(15,033.19)	(15,033.19)	12,487.56
Adjustments to prior year encumbrances	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(15,033.19)	(15,033.19)	12,487.56
Fund balance, beginning of year	15,033.19	15,033.19	15,033.19
Fund balance, end of year	\$ -	\$ -	\$ 27,520.75

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

NOTES TO THE FINANCIAL STATEMENTS

CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cherokee County Interlocal Cooperative School District No. K001, Cherokee County, Oklahoma (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 Board of Directors, a five member group constituting an ongoing entity, is the level of government which has governance responsibilities over all activities related to an interlocal cooperative agreement within the jurisdiction of the Cherokee County Interlocal Cooperative School District No. K001, Cherokee County, Oklahoma. "Interlocal Cooperative Agreement" means an agreement, which is entered into by the Board of Education of two or more school districts pursuant to the provision of Section 5-117B of Title 70, Oklahoma Statutes. The Board received funding from local schools participating in the interlocal cooperative. The Cherokee County Interlocal Cooperative School District No. K001, Cherokee County, Oklahoma, is a legal political subdivision of the State of Oklahoma. Board members are comprised of superintendents of districts entering into the interlocal cooperative agreement and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

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 operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 District only utilized the General Fund governmental fund type.

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 contributions from participating schools. Expenditures include all costs associated with the daily operations of the school. The General Fund includes federal and state restricted monies that must be expended for specific programs.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When those 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 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, for collecting, disbursing, and accounting for these activity funds.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- 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.

The 2010-2011 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.

During the year, the General Fund Budget was amended through supplemental appropriations in the amount of \$7,868.30 from additional revenue collections. The above supplemental appropriation was approved by the Board.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ENCUMBRANCES

Encumbrances represent commitments to unperformed contracts for goods or services. Encumbrances 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.

F. ASSETS, LIABILITIES, AND FUND EQUITY

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

Investments - Investments consist of direct obligation of the United States Government and agencies 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, 2011, is not material to the financial statements.

Fixed Assets and Property, Plant, and Equipment - The General Fixed Asset Account Group is not presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

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 to receive sick pay benefits have not been 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.

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

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

G. REVENUE, EXPENSES, AND EXPENDITURES

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 education programs revenues be accounted for in the General Fund.

Property Tax Revenues - The District is not authorized by state law to levy property taxes.

H. MEMORANDUM ONLY - TOTAL COLUMN

The total column in the financial statements is captioned "memorandum only" to indicate that it is present only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows 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.

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, 2011, 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.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable at 6-30-11</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<u>Pass-through State Department of Education</u>					
Discretionary 94-142 EHAB 84.027	\$420,006.75	\$ 0.00	\$420,006.75	\$420,006.75	\$ 0.00
Preschool 84.173A	<u>15,843.75</u>	<u>0.00</u>	<u>15,843.75</u>	<u>15,843.75</u>	<u>0.00</u>
TOTAL GRANTS AND ASSISTANCE		<u>\$ 0.00</u>	<u>\$435,850.50</u>	<u>\$435,850.50</u>	<u>\$ 0.00</u>

NOTE 4: GENERAL LONG TERM DEBT

State statutes prohibits the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. The general long-term debt of the District consists of bonds and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the Debt Service Fund.

The District had no Long Term Debt at June 30, 2011.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5: 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. 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.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5: EMPLOYMENT RETIREMENT SYSTEM (continued)

The contribution rates for the District, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer paid fringe benefits. The fiscal year 2011 contribution rates for the employers was 9.50%. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, corporate income taxes into the System. The percentage is currently 5.0%. Additionally, the System receives "federal matching" contribution rate for FY 2011 was 6.50%. The District is allowed by the Oklahoma Teachers Retirement System to make the required contributions for participating members is 7%.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$577,073; the District's total compensation was \$730,876. Total contributions made during the year ended June 30, 2010 by the District amounted to \$90,345 which represents \$53,520 for the 9.50% statutory and \$36,825 for the 7% contribution paid by the employees. These contributions represented 11.5% 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, 2011, 2010, and 2009 were \$90,345, \$74,029, and \$65,525, 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, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5: EMPLOYMENT RETIREMENT SYSTEM (continued)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets(AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)(b-a)</u>	<u>Funder Ratio(a/b)</u>	<u>Annual Covered Payroll(c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
June 30, 2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
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%

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 6: SURETY BONDS

The Minutes and Encumbrance Clerk Bond #16047310 in the amount of \$2,000.00 dated 10/26/2010-10/26/2011, Co-Custodian Activity Fund Bond #16047383 in the amount of \$25,000.00 dated 10/26/2010-10/26/2011, Co-Custodian Activity Fund Bond #16048458 in the amount of \$25,000.00 dated 10/26/2010-10/26/2011, Superintendent Bond #70821860 in the amount of \$100,000.00 dated 10/26/2010-10/26/2011.

COMBINING FINANCIAL STATEMENTS

CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. KO01
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Fund	Activity Fund	Total 2011
<u>ASSETS</u>			
Cash and Investments		\$ 6,720.13	\$ 6,720.13
Total Assets		\$ 6,720.13	\$ 6,720.13
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Student Groups		\$ 6,720.13	\$ 6,720.13
Total Liabilities		\$ 6,720.13	\$ 6,720.13
Fund Balances:			
Unreserved:			
Undesignated		-	-
Total Fund Balances		-	-
Total Liabilities and Fund Balances		\$ 6,720.13	\$ 6,720.13

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

CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. KO01
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds			Balance June 30, 2011
	Balance July 1, 2010	Additions	Deletions	
<u>ACTIVITIES</u>				
Student Activities	\$ 8,897.82	\$ 3,554.75	\$ 5,732.44	\$ 6,720.13
Total - All Agency Funds	<u>\$ 8,897.82</u>	<u>\$ 3,554.75</u>	<u>\$ 5,732.44</u>	<u>\$ 6,720.13</u>
<u>ASSETS</u>				
Cash	\$ 8,897.82	\$ 3,554.75	\$ 5,732.44	\$ 6,720.13
Total Assets	<u>\$ 8,897.82</u>	<u>\$ 3,554.75</u>	<u>\$ 5,732.44</u>	<u>\$ 6,720.13</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 8,897.82	\$ 3,554.75	\$ 5,732.44	\$ 6,720.13
Total Liabilities	<u>\$ 8,897.82</u>	<u>\$ 3,554.75</u>	<u>\$ 5,732.44</u>	<u>\$ 6,720.13</u>

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

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. K001
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND
 JUNE 30, 2011**

	Science Fund	
ASSETS		
Cash and Investments	\$ 6,720.13	
Total Assets	\$ 6,720.13	
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Others	\$ 6,720.13	
Total Liabilities	\$ 6,720.13	
Fund Balances:		
Undesignated	\$ -	
Total Fund Balances	\$ -	
Total Liabilities and Fund Balances	\$ 6,720.13	

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

**CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. KO01
 SCHEDULE OF FEDERAL AWARDS EXPENSED
 FOR THE YEAR ENDED JUNE 30, 2011**

Grant, Federal Grantor/Pass Through Grantor/Program Title	Approved Amount	Balance at June 30, 2010	Receipts	Expenditures	Balance at June 30, 2011
<i>Pass-through State Department of Education - Note 1</i>					
Discretionary 94-142 EHAB CFDA 84.027	420,006.75	-	420,006.75	420,006.75	-
Preschool EHAB CFDA 84.173A	15,843.75	-	15,843.75	15,843.75	-
Total Department of Education	<u>\$ 435,850.50</u>	<u>\$ -</u>	<u>\$ 435,850.50</u>	<u>\$ 435,850.50</u>	<u>\$ -</u>
TOTAL FEDERAL ASSISTANCE	<u>\$ 435,850.50</u>		<u>\$ 435,850.50</u>	<u>\$ 435,850.50</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
Cherokee County Interlocal Cooperative District No. KO01
Tahlequah, Cherokee County, Oklahoma

I have audited the accompanying fund type and account group financial statements regulatory basis of Cherokee County Interlocal Cooperative District No. KO01, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2011, and have issued my report thereon dated February 9, 2012, which was adverse with regard to the application of accounting principles generally accepted in the United States of America because the entity prepares its financial statements on a statutory (regulatory) basis of accounting that conforms with the accounting practices prescribed by the Oklahoma State Department of Education and budget laws of the State of Oklahoma. 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

In planning and performing my audit, I considered Cherokee County Interlocal Cooperative District No. KO01 's internal control over financial reporting as a basis for designing my audit procedures for the purposes of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Interlocal Cooperative District No. KO01'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 Cherokee County Interlocal Cooperative District No. KO01 in a separate letter dated February 9, 2012.

This report is intended solely for the information and use of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 9, 2012



Alan Chapman, CPA

CHEROKEE COUNTY INTERLOCAL COOPERATIVE DISTRICT NO. KO01
STATEMENT OF PRIOR YEAR FINDINGS
JUNE 30, 2011

PRIOR YEAR FINDINGS:

There were no prior year findings.

CHEROKEE COUNTY INTERLOCAL COOPERTIVE DISTRICT NO. K001
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011

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 the Cherokee County Interlocal Cooperative School District for the audit year 2010-2011.

Alan Chapman, C.P.A.

By Alan Chapman
Authorized Agent

Subscribed and sworn to before me this 1 day of July, 2011.

Lori Kimble

Notary Public

My Commission Expires: 02/05/14

My Commission Number: 02002080



**AUDIT ACKNOWLEDGMENT
 CHEROKEE COUNTY INTERLOCAL
 COOPERATIVE SCHOOL DISTRICT NO. K001
 CHEROKEE COUNTY, OKLAHOMA
 JULY 1, 2010 TO JUNE 30, 2011**

The annual independent audit for the Cherokee County Interlocal Cooperative School District No. K001, was presented to the Board of Education in an Open Meeting on February 14, 2012, by Alan Chapman, CPA.

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 acknowledgment form, will be sent to the Oklahoma State Department of Education within thirty (30) days from its presentation, as stated in 70 O.S. 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

Shepherd R. Rountree
 Superintendent

Jerry Hood
 Board of Education President

 Board of Education Vice President

Alicia O'Donnell
 Board of Education Member

Keith F. [unclear]
 Board of Education Member

 Board of Education Member

 Board of Education Member

 Board of Education Member

Subscribed and sworn to before me on this 14 day of February, 2012

My Commission Expires: 02/05/14

My Commission Number: 02002080

Orin Kinble

Notary Public

