

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
CHATTANOOGA INDEPENDENT SCHOOL
DISTRICT NO. 132
COMANCHE COUNTY, OKLAHOMA
JUNE 30, 2012**

CHATTANOOGA INDEPENDENT SCHOOL DISTRICT NO. I-132

COMANCHE COUNTY, OKLAHOMA

JUNE 30, 2012

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CHATTANOOGA INDEPENDENT SCHOOL DISTRICT NO. I-132, COMANCHE COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012

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**INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS**

The Honorable Board of Education
Chattanooga Independent School District No. 132
Chattanooga, Comanche County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Chattanooga Independent School District No. 132, Oklahoma, as of and for the year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of Chattanooga Independent School District No. 132, Oklahoma. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Chattanooga Independent School District No. 132, Oklahoma, prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, because of the School's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Chattanooga Independent School District No. 132, Oklahoma, as of June 30, 2012, or the results of its operations for the year then ended.

However, in our opinion, except for the omission of the general fixed asset account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Chattanooga Independent School District No. 132, Oklahoma, as of June 30, 2012, and the revenues it received and expenditures it paid for the year then ended, on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012, on our consideration of Chattanooga Independent School District No. 132, Oklahoma's, internal control over financial reporting and our 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 our audit.

Our audit was performed for the purpose of forming an opinion on the fund type and account group financial statements of Chattanooga Independent School District No. 132, Oklahoma, taken as a whole. The accompanying Combining Financial Statements and Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining Financial Statements 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements referred to above and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
November 12, 2012

COMBINED FINANCIAL STATEMENTS

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2012

ASSETS	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
Cash and Cash Equivalents	\$ 1,460,129	\$ 158,313	\$ 134,041	\$ 290,750	\$ 58,698	\$ 0	\$ 2,101,930	
Investments	0	0	0	0	0	0	0	
Amounts Available in Debt Service Fund	0	0	0	0	0	134,041	134,041	
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	645,959	645,959	
Total Assets	\$ 1,460,129	\$ 158,313	\$ 134,041	\$ 290,750	\$ 58,698	\$ 780,000	\$ 2,881,930	
LIABILITIES AND FUND BALANCE								
Liabilities:								
Warrants Payable	\$ 82,285	\$ 162	\$ 0	\$ 29,675	\$ 0	\$ 0	\$ 112,121	
Reserve for Encumbrances	108,000	0	0	229,000	0	0	337,000	
Due to Activity Groups	0	0	0	0	58,698	0	58,698	
General Obligation Bonds Payable	0	0	0	0	0	780,000	780,000	
Total Liabilities	\$ 190,285	\$ 162	\$ 0	\$ 258,675	\$ 58,698	\$ 780,000	\$ 1,287,820	
Fund Equity:								
Reserved for Debt Service	\$ 0	\$ 0	\$ 134,041	\$ 0	\$ 0	\$ 0	\$ 134,041	
Reserved for Capital Projects	0	0	0	32,075	0	0	32,075	
Cash Fund Balance	1,269,844	158,151	0	0	0	0	1,427,995	
Total Fund Equity	\$ 1,269,844	\$ 158,151	\$ 134,041	\$ 32,075	\$ 0	\$ 0	\$ 1,594,111	
Total Liabilities and Fund Equity	\$ 1,460,129	\$ 158,313	\$ 134,041	\$ 290,750	\$ 58,698	\$ 780,000	\$ 2,881,930	

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

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2012
Revenue Collected:					
Local Sources	\$ 344,768	\$ 76,284	\$ 135,154	\$ 0	\$ 556,206
Intermediate Sources	39,140	0	0	0	39,140
State Sources	1,751,346	2,188	53	0	1,753,587
Federal Sources	170,163	58,036	0	0	228,199
Non-Revenue Receipts	590	0	0	0	590
<i>Total Revenue Collected</i>	<u>\$ 2,306,007</u>	<u>\$ 136,508</u>	<u>\$ 135,207</u>	<u>\$ 0</u>	<u>\$ 2,577,721</u>
Expenditures Paid:					
Instruction	\$ 1,227,876	\$ 0	\$ 0	\$ 0	\$ 1,227,876
Support Services	1,055,820	16,287	0	267,925	1,340,032
Operation of Non-Instructional Services	61,933	64,610	0	0	126,543
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	30	0	0	30
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	120,000	0	120,000
Interest and Fiscal Agent Fees	0	0	19,050	0	19,050
<i>Total Expenditures Paid</i>	<u>\$ 2,345,629</u>	<u>\$ 80,928</u>	<u>\$ 139,050</u>	<u>\$ 267,925</u>	<u>\$ 2,833,532</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (39,622)</u>	<u>\$ 55,581</u>	<u>\$ (3,843)</u>	<u>\$ (267,925)</u>	<u>\$ (255,810)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 328</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 328</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 119	\$ 0	\$ 0	\$ 0	\$ 119
Bond Proceeds	0	0	0	300,000	300,000
Transfers In	30,000	100	0	0	30,100
Transfers Out	(200)	(30,100)	0	0	(30,300)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 29,919</u>	<u>\$ (30,000)</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 299,919</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (9,376)</u>	<u>\$ 25,581</u>	<u>\$ (3,843)</u>	<u>\$ 32,075</u>	<u>\$ 44,436</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,279,220</u>	<u>132,571</u>	<u>137,884</u>	<u>0</u>	<u>1,549,675</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,269,844</u>	<u>\$ 158,151</u>	<u>\$ 134,041</u>	<u>\$ 32,075</u>	<u>\$ 1,594,111</u>

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

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2012

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 297,993	\$ 297,993	\$ 344,768	\$ 67,830	\$ 67,830	\$ 76,284	\$ 129,446	\$ 129,446	\$ 135,207
Intermediate Sources	38,861	38,861	39,140	0	0	0	0	0	0
State Sources	1,685,146	1,685,146	1,751,346	2,039	2,039	2,188	0	0	0
Federal Sources	106,366	106,366	170,163	60,249	60,249	58,036	0	0	0
Non-Revenue Receipts	0	0	590	0	0	0	0	0	0
Total Revenue Collected	\$ 2,128,366	\$ 2,128,366	\$ 2,306,007	\$ 130,119	\$ 130,119	\$ 136,508	\$ 129,446	\$ 129,446	\$ 135,207
Expenditures Paid:									
Instruction	\$ 2,064,549	\$ 2,064,549	\$ 1,227,876	\$ 0	\$ 0	0	\$ 0	\$ 0	0
Support Services	1,253,317	1,253,317	1,055,820	87,069	87,069	16,287	0	0	0
Operation of Non-Instructional Services	89,520	89,520	61,933	95,950	95,950	64,610	0	0	0
Facilities Acquisition and Construction	0	0	0	49,571	49,571	0	0	0	0
Other Outlays	0	0	0	0	0	0	267,330	267,330	139,050
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	30	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 3,407,386	\$ 3,407,386	\$ 2,345,629	\$ 232,590	\$ 232,590	\$ 80,928	\$ 267,330	\$ 267,330	\$ 139,050
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (1,279,020)	\$ (1,279,020)	\$ (39,622)	\$ (102,471)	\$ (102,471)	\$ 55,581	\$ (137,884)	\$ (137,884)	\$ (3,843)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 119	\$ 0	\$ 0	0	\$ 0	\$ 0	0
Transfers In	0	0	30,000	0	0	100	0	0	0
Transfers Out	(200)	(200)	(200)	(30,100)	(30,100)	(30,100)	0	0	0
Total Other Financing Sources (Uses)	\$ (200)	\$ (200)	\$ 29,919	\$ (30,100)	\$ (30,100)	\$ (30,000)	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (1,279,220)	\$ (1,279,220)	\$ (9,376)	\$ (132,571)	\$ (132,571)	\$ 25,581	\$ (137,884)	\$ (137,884)	\$ (3,843)
Fund Balance - Beginning of Year	1,279,220	1,279,220	1,279,220	132,571	132,571	132,571	137,884	137,884	137,884
Fund Balance - End of Year	\$ 0	\$ 0	\$ 1,269,844	\$ 0	\$ 0	\$ 158,151	\$ 0	\$ 0	\$ 134,041

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

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Chattanooga Public Schools Independent District No. 132, Comanche County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.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 the 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 include, 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. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.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."

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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).

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

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund, Child Nutrition Fund, and Cooperative Fund.

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.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

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

4. Capital Projects Fund - The Capital Projects Fund consists of the Districts 2012 Building Bond Fund and 2012 Transportation Bond Fund issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. 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.

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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

Account 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.

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

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

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the 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.

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- 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.

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

1.E. 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 obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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 tax 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.

Inventories – The value of consumable inventories at June 30, 2012, is not material to the basic financial statements.

Chattanooga ISD No. 132, Comanche County

Notes To The Financial Statements

For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be 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. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

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 the amount is not material to the financial statements.

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

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

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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 education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

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

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (continued)

1.F. Revenue, Expenses, and Expenditures, (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2012:

	<u>Carrying Value</u>		
Deposits:			
Demand Deposits	\$1,609,430		
Time Deposits – Certificates of Deposit	<u>492,500</u>		
Total Deposits	<u>\$2,101,930</u>		
Investments (Other Than Certificates of Deposit):)	Fair Value	Credit Rating	Maturity
Total Investments	<u>\$ _____</u>		
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents	\$2,101,930		
Activity Fund Outstanding Checks	<u>4,651</u>		
Total Deposits and Investments	<u>\$2,106,581</u>		

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2012, the District was not exposed to custodial credit risk as defined above.

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 2 – Deposit and Investment Risk, (continued)

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2012, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2012, the District had no concentration of credit risk as defined above.

Chattanooga ISD No. 132, Comanche County

Notes To The Financial Statements

For The Year Ended June 30, 2012

Note 3 - 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 approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2011	900,000	0	0	900,000
Additions	0	0	0	0
Retirements	120,000	0	0	120,000
Balance, June 30, 2012	780,000	0	0	780,000

A brief description of the outstanding general obligation bond issues at June 30, 2012, is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2008 Building Bond	4.15% - 3.65%	1-Dec-15	\$ 600,000	\$ 480,000
2012 Combined Purpose Bond	0.7% - 1.35%	1-May-17	300,000	300,000
Totals			\$ 900,000	\$ 780,000

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 Building Bond			
2012-13	120,000	14,610	134,610
2013-14	120,000	10,620	130,620
2014-15	120,000	6,480	126,480
2015-16	120,000	2,190	122,190
Sub Total	\$ 480,000	\$ 33,900	\$ 513,900
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 Combined Purpose Bond			
2012-13		2,963	2,963
2013-14	75,000	2,962	77,962
2014-15	75,000	2,438	77,438
2015-16	75,000	1,837	76,837
2016-17	75,000	1,013	76,013
Sub Total	\$ 300,000	\$ 11,213	\$ 311,213
Total Bonds	\$ 780,000	\$ 45,113	\$ 825,113

Interest expense on bonds payable incurred during the current year totaled \$19,050.

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. 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.

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

A participant with 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. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, 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 District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2012. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were \$117,073; \$109,420; and \$111,422 respectively.

The compensation for employees covered by the System for the year ended June 30, 2012 was \$1,232,350; the District's total compensation was \$1,339,043. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.00% of compensation arising from federal grants (\$5,211). There were \$63,507 contributions made by employees during the year ended June 30, 2012.

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 17,560,754,452
Net assets available for benefits, at cost	<u>9,960,576,151</u>
Nonfunded pension benefit obligation	<u>\$ 7,600,178,301</u>

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 4 - Employee Retirement System, (continued)

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

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

Note 6 – Risk Management

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

Note 7 – Health Care Coverage

During the year ended June 30, 2012 employees of the District were covered by a health insurance plan (the plan). The teachers and support personnel may elect to be covered by the plan. The plan was authorized by House Bill 1731, 1988 Oklahoma Legislature (74 O.S. 1988, Supp. Section 1301-1322) with the Oklahoma State and Education Employees Group Insurance Board.

Note 8 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education 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. Actual results could differ from those estimates.

Note 9 – Surety Bonds

Treasurer is bonded by Western Surety Company, bond number 70768189, for the penal sum of \$60,000.00 per loss for the term of July 1, 2011 to July 1, 2012 and for the term of July 1, 2012 to July 1, 2013.

Activities Fund Clerk, and Child Nutrition Fund Clerk are bonded by Western Surety Company, for the penal sum of \$5,000.00; bond number 18268797 for the term of April 22, 2011 to April 22, 2012 and for the term of April 22, 2012 to April 22, 2013.

Chattanooga ISD No. 132, Comanche County
Notes To The Financial Statements
For The Year Ended June 30, 2012

Note 9 – Surety Bonds, (continued)

Encumbrance Clerk and Minutes Clerk are bonded by Western Surety Company, for the penal sum of \$1,000.00; bond number 18268797 for the term of April 22, 2011 to April 22, 2012 and for the term of April 22, 2012 to April 22, 2013.

Superintendent is bonded by Old Republic Surety Company, bond number LOP-2111086, for the penal sum of \$100,000.00 per loss for term of October 1, 2010 to October 1, 2011 and for the term of October 1, 2011 to October 1, 2012.

Note 10 – Subsequent Events

Management has evaluated subsequent events through November 12, 2012, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
Cash and Cash Equivalents	\$ 129,785	\$ 28,528	\$ 158,313
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 129,785</u>	<u>\$ 28,528</u>	<u>\$ 158,313</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 0	\$ 162	\$ 162
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 162</u>	<u>\$ 162</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 129,785</u>	<u>\$ 28,366</u>	<u>\$ 158,151</u>
<i>Total Fund Balance</i>	<u>\$ 129,785</u>	<u>\$ 28,366</u>	<u>\$ 158,151</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 129,785</u>	<u>\$ 28,528</u>	<u>\$ 158,313</u>

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
Revenue Collected:			
Local Sources	\$ 52,077	\$ 24,207	\$ 76,284
Intermediate Sources	0	0	0
State Sources	18	2,170	2,188
Federal Sources	0	58,036	58,036
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 52,095</u>	<u>\$ 84,413</u>	<u>\$ 136,508</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	16,287	0	16,287
Operation of Non-Instructional Services	0	64,610	64,610
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	30	30
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 16,287</u>	<u>\$ 64,641</u>	<u>\$ 80,928</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 35,808</u>	<u>\$ 19,772</u>	<u>\$ 55,581</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	100	100
Transfers Out	0	(30,100)	(30,100)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ (30,000)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 35,808</u>	<u>\$ (10,228)</u>	<u>\$ 25,581</u>
<i>Fund Balance - Beginning of Year</i>	<u>93,977</u>	<u>38,594</u>	<u>132,571</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 129,785</u></u>	<u><u>\$ 28,366</u></u>	<u><u>\$ 158,151</u></u>

Chattanooga School District No.1-132, Comanche County, Oklahoma
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
 Special Revenue Funds - Budget and Actual
 For the Year Ending June 30, 2012

	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 42,562	\$ 42,562	\$ 52,077	\$ 25,268	\$ 25,268	\$ 24,207
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	18	2,039	2,039	2,170
Federal Sources	0	0	0	60,249	60,249	58,036
Non-Revenue Receipts	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 42,562</u>	<u>\$ 42,562</u>	<u>\$ 52,095</u>	<u>\$ 87,557</u>	<u>\$ 87,557</u>	<u>\$ 84,413</u>
Expenditures Paid:						
Instruction	0	0	0	0	0	0
Support Services	86,969	86,969	16,287	100	100	0
Operation of Non-Instructional Services	0	0	0	95,950	95,950	64,610
Facilities Acquisition and Construction	49,571	49,571	0	0	0	0
Other Outlays	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	30
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 136,539</u>	<u>\$ 136,539</u>	<u>\$ 16,287</u>	<u>\$ 96,050</u>	<u>\$ 96,050</u>	<u>\$ 64,641</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (93,977)</u>	<u>\$ (93,977)</u>	<u>\$ 35,808</u>	<u>\$ (8,494)</u>	<u>\$ (8,494)</u>	<u>\$ 19,772</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Stopped Warrants	0	0	0	0	0	0
Transfers In	0	0	0	0	0	100
Transfers Out	0	0	0	(30,100)	(30,100)	(30,100)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30,100)</u>	<u>\$ (30,100)</u>	<u>\$ (30,000)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (93,977)</u>	<u>\$ (93,977)</u>	<u>\$ 35,808</u>	<u>\$ (38,594)</u>	<u>\$ (38,594)</u>	<u>\$ (10,228)</u>
<i>Fund Balance - Beginning of Year</i>	<u>93,977</u>	<u>93,977</u>	<u>93,977</u>	<u>38,594</u>	<u>38,594</u>	<u>38,594</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 129,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,366</u>

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2012

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 56,198
Investments	<u>2,500</u>
<i>Total Assets</i>	<u>\$ 58,698</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>58,698</u>
<i>Total Liabilities</i>	<u>\$ 58,698</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 58,698</u>

Chattanooga School District No.1-132, Comanche County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2012

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Athletics	\$ 4,900	\$ 40,373	\$ 40,002	\$ 5,270
Elementary Athletic Fund	838	1,974	2,074	738
Elementary Fund	5,213	5,186	3,049	7,350
FFA	4,855	57,109	56,626	5,338
FHA	297	0	0	297
Flower Fund	64	132	183	14
Gutshall-CD	500	0	0	500
Gutshall-Interest	36	11	13	34
Junior/Senior Banquet-Prom	2,853	8,342	8,191	3,004
After Prom	7,726	2,489	3,656	6,559
Library	968	2,106	2,257	816
Miscellaneous	4,553	18,435	20,298	2,690
Pep Club	2,804	21,932	21,182	3,553
Petty Cash	0	200	200	0
Special Projects	1,521	0	0	1,521
Student Council	11,042	9,585	10,195	10,432
Yearbook	3,243	10,634	8,671	5,207
Martin-CD	2,000	189	189	2,000
Martin-Interest	1,208	337	289	1,256
Computer Fund	341	0	0	341
Art	9	0	0	9
Academic Team	1,631	530	392	1,769
				0
Total Activities	\$ <u>56,602</u>	\$ <u>179,563</u>	\$ <u>177,467</u>	\$ <u>58,698</u>

CHATTANOOGA INDEPENDENT SCHOOL DISTRICT NO. 132
 COMANCHE COUNTY, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at July 1, 2011	Receipts	Expenditures	Ending Balance at June 30, 2012
<i>U.S. Department of Education Direct Programs:</i>							
Small Rural School Achievement	84.358A	588	\$ 3,259	\$ 0	3,259	3,259	\$ 0
Small Rural School Achievement	84.358A	588	23,546	(418)	23,964	23,546	0
Small Rural School Achievement	84.358A	588	21,346	0	2,639	3,819	(1,180)
Title VIII - Impact Aid	84.041	591	0	0	30	0	30
Total U.S. Department of Education			48,151	(418)	29,892	30,624	(1,150)
<i>Passed Through State Department of Education:</i>							
<u>2010-2011 Programs</u>							
Title I	84.010	511	0	(2,650)	2,650	0	0
ARRA Title I - Part A	84.389	516	0	(27,402)	27,402	0	0
ARRA IDEA-B Flowthrough	84.391	622	0	(2,250)	2,250	0	0
ARRA IDEA-B Preschool	84.393	643	0	(234)	234	0	0
<u>2011-2012 Programs</u>							
Carl Perkins	84.048	421	2,065	0	2,065	2,065	0
Title I	84.010	511	42,742	0	42,260	42,260	0
Title II, Part A - Improving Teacher & Prin. Quality	84.367	586	12,598	0	12,494	12,494	0
IDEA-B Flowthrough	84.027	621	50,790	0	50,790	50,790	0
IDEA-B Preschool	84.173	641	407	0	126	126	0
Total State Department of Education			108,603	(32,536)	140,271	107,735	0
Total U.S. and State Department of Education			\$ 156,754	\$ (32,954)	170,163	138,359	\$ (1,150)
<i>U.S. Department of Agriculture:</i>							
<u>Passed Through State Dept. of Education:</u>							
Cash Assistance:							
National School Lunch Program	10.555				43,631	43,631	
School Breakfast Program	10.553				14,405	14,405	
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				8,119	8,119	
Total U.S. Department of Agriculture					66,155	66,155	
Total Federal Assistance			\$ 236,319	\$ 204,515			

Note - The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE REPORTS



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Board of Education
Chattanooga Independent School District No. 132
Chattanooga, Comanche County, Oklahoma

We have audited the financial statements of Chattanooga Independent School District No. 132, Chattanooga, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012. As stated in our report, the financial statements were prepared in compliance with the cash basis as prescribed by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. We conducted our 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 our audit, we considered Chattanooga Independent School District No. 132, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 Chattanooga Independent School District No. 132, Chattanooga, Oklahoma's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Chattanooga Independent School District No. 132, Oklahoma, in a separate statement of audit comments included with this report.

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

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
November 12, 2012

OTHER INFORMATION

CHATTANOOGA INDEPENDENT SCHOOL DISTRICT NO. 132
COMANCHE COUNTY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2012

CURRENT YEAR

- 12-1. During our audit of the payroll records, we noted some extra duty pay where remuneration for services exceeding \$500.00 did not have a written extra duty contract as required by Title 70, Section 5-123 of the Oklahoma statutes.
- 12-2 During our audit of the federal programs, we noted that some of the equipment purchased with federal funds was not properly labeled as required by the federal program guidelines. For tracking purposes, all equipment purchased with federal funds should be labeled with the name of the federal program and the fiscal year of purchase.

PRIOR YEAR

- 11-1. During our audit of the payroll records, we noted instances where the I-9's were not being properly filled out. All I-9's should be completed as required by the internal revenue service instructions for the form.

The School District implemented procedures to correct the prior year audit comments.



CHATTANOOGA PUBLIC SCHOOL

507 4th Street • PO Box 129 • Chattanooga, OK 73528
HS: 580-597-3347 • Elem: 580-597-6638 • Fax: 580-597-3344

Administration

*Jerry Brown, Superintendent
James Higdon, H.S. Principal
Cristy Fischer, Elem. Principal*

Board of Education

*John Bryan, President
Brent Peters, Vice President
Mark Geis, Clerk
Allen Bellamy, Member
Mark Kirk, Member*

November 13, 2012

To: Britton, Kuykendall, and Miller

This is our response to the audit comments.

1. We will make sure that we have extra duty contracts as required by Title 70, Section 5-123.
2. All equipment that has been purchased with federal funds is currently being labeled.

Sincerely,

Jerry Brown
Superintendent



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Board of Education
John Bryan, President
Brent Peters, Vice President
Mark Geis, Clerk
Allen Bellamy, Member
Mark Kirk, Member

October 11, 2011

To: Britton, Kuykendall, and Miller

This is our response to the audit comments.

1. Proper procedures for filling out I-9's have been reviewed with office personnel.

Sincerely,

Jerry Brown
Superintendent

CHATTANOOGA INDEPENDENT SCHOOL DISTRICT NO. 132
COMANCHE COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 THROUGH JUNE 30, 2012

State of Oklahoma)
) ss
County of Custer)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountants' 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 Chattanooga Independent School District No. 132, Oklahoma, for the audit year 2011-2012.

Britton, Kuykendall & Miller
BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

By *Pick Miller*

Subscribed and sworn to before me this 16th day of January, 2013.

Frances A. Lewis
NOTARY PUBLIC

