

Cherokee Immersion Charter School

District No. T001

Accountants' Reports and Financial Statements

June 30, 2012



Cherokee Immersion Charter School
District No. T001
June 30, 2012

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**Cherokee Immersion Charter School
District No. T001**

**School District Officials
July 1, 2011 to June 30, 2012**

Leroy Qualls, Superintendent of the Cherokee Immersion Charter School, Cherokee Nation

Amon Baker, President

Dewayne Marshall, Vice President

Foreman Ross, Secretary

Roberta Gibson, Member

Jeff Limore, Member

Independent Accountants' Report

Board of Education
Cherokee Immersion Charter School
District No. T001
Cherokee County, Oklahoma

We have audited the accompanying fund type financial statements of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma (the School), as of and for the year ended June 30, 2012. These financial statements are the responsibility of the School's management. 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 described more fully in *Note 1*, the School has prepared these 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 generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly in all material respects, the assets, liabilities and equity arising from regulatory basis transactions of each fund type of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma, as of June 30, 2012, and the revenues collected and expenditures paid/expenses 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 October 12, 2012, on our consideration of the School'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.

Board of Education
Cherokee Immersion Charter School
District No. T001

Our audit was conducted for the purpose of forming an opinion on the fund type financial statements within the financial statements. The schedule of statutory, fidelity and honesty bonds, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole on the regulatory basis of accounting described in *Note 1*.

This report is intended solely for the information and use of the Board of Education of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma, the Oklahoma State Department of Education and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 12, 2012

**Cherokee Immersion Charter School
District No. T001**

**Statement of Assets, Liabilities and Equity – Regulatory Basis –
All Fund Types and Account Groups
June 30, 2012**

Assets

	<u>General Fund</u>
Due from Cherokee Nation	\$ 143,797
Total assets	<u>\$ 143,797</u>

Liabilities and Fund Balance

Liabilities

Warrants payable	\$ 20,600
Total liabilities	<u>20,600</u>

Fund Credits, Equity and Other

Fund balance	<u>123,197</u>
Total fund balance	<u>123,197</u>
Total liabilities and fund balance	<u>\$ 143,797</u>

Cherokee Immersion Charter School

District No. T001

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Regulatory Basis – All Governmental Fund Types Year Ended June 30, 2012

	General Fund
Revenues Collected	
Intergovernmental – Oklahoma State Department of Education	\$ 465,424
Contributions from Cherokee Nation	2,494,685
Other	1,124
	<hr/>
Total revenues	2,961,233
	<hr/>
Expenditures Paid	
Instruction	1,909,886
Support services	315,362
Other outlays	612,788
	<hr/>
Total expenditures paid	2,838,036
	<hr/>
Excess of Revenues Collected over Expenditures Paid	123,197
Fund Balance, Beginning of Year	<hr/> -
Fund Balance, End of Year	<hr/> \$ 123,197

Cherokee Immersion Charter School

District No. T001

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Regulatory Basis – Budget to Actual – Budgeted Governmental Fund Types Year Ended June 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
Revenues Collected			
Intergovernmental – Oklahoma State			
Department of Education	\$ 478,382	\$ 478,382	\$ 465,424
Contributions from Cherokee Nation	2,568,457	2,280,816	2,494,685
Other	-	-	1,124
	<u>3,046,839</u>	<u>2,759,198</u>	<u>2,961,233</u>
Total revenues			
Expenditures Paid			
Instruction	1,924,223	1,834,322	1,909,886
Support services	333,644	317,378	315,362
Capital outlay	97,566	37,331	-
Other outlays	691,406	570,167	612,788
	<u>3,046,839</u>	<u>2,759,198</u>	<u>2,838,036</u>
Total expenditures paid			
Excess of Revenues Collected over Expenditures Paid	-	-	123,197
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,197</u>

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The basic financial statements of the Cherokee Immersion Charter School (the School) 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 School's accounting policies are described below.

Reporting Entity

The School is a charter school created under Title 70 of the Oklahoma Statutes and is financially dependent on Cherokee Nation and State of Oklahoma support.

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

In evaluating how to define the School for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's 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 School and/or its citizens, or whether the activity is conducted within the geographic boundaries of the School 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 School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the Cherokee Immersion Charter School's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The School does not appoint any of the board members or exercise any oversight over the PTA.

Fund Accounting and Description of Fund

The School uses fund accounting 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. The School does not maintain any account group types.

The fund maintained by the School is a governmental fund.

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2012

Governmental Fund Types

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

General Fund – The general fund is used to account for all financial transactions, except those required to be accounted for in another fund. Major revenue sources include contributions from the Cherokee Nation and monies received from the Oklahoma State Department of Education (OSDE) as a result of the charter school recognition by the OSDE.

Basis of Accounting and Presentation

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

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

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

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2012

Budgets and Budgetary Accounting

The School is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1.

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.

Revenues, Expenses and Expenditures

Contributions from Cherokee Nation – Revenues received from Cherokee Nation, the sponsoring organization for the charter school, for current operations.

Intergovernmental Revenues – Revenues received from the OSDE for current operations, which are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The OSDE administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the OSDE 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 in the year the adjustment is made.

Fund Balance

Fund balance represents the cash due from the Cherokee Nation not encumbered by purchase order, legal contracts and outstanding warrants.

Use of Estimates

The preparation of financial statements in conformity with accounting and financial reporting regulations prescribed or permitted by the OSDE 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2012

Note 2: Indirect Costs

The School is a component of the Cherokee Nation's indirect cost plan. The Cherokee Nation's plan utilizes a fixed rate with carryforward. The School is allocated a percentage of total costs incurred during the year. The rate applied for the year ended June 30, 2012, was 14.15%. The rate is capped at 5% for expenditures paid by funds received from the OSDE. Total indirect costs allocated to the School for the year ended June 30, 2012, were approximately \$300,000 and \$16,000, respectively, related to funds received from the Cherokee Nation and OSDE, respectively.

Note 3: Related Party

The Cherokee Nation is the sponsoring organization of the School and maintains all cash; processes all cash disbursements, cash receipts and payroll; and performs various other administrative functions. In addition, faculty and staff of the School are participants in the employee benefit plans of the Cherokee Nation.

Note 4: Risk Management

The School participates in the Cherokee Nation's various insurance programs to manage certain exposures from general liability, property and employee health insurance. The Cherokee Nation manages its exposures through risk retention and the purchase of insurance. The School was allocated approximately \$22,000 of insurance expense for the year ended June 30, 2012.

Note 5: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

**Cherokee Immersion Charter School
Cherokee Nation
Statement of Statutory, Fidelity and Honesty Bonds
Year Ended June 30, 2012**

Travelers Casualty and Surety Company of America

- A. Fidelity
- B. Forgery or Alteration
- C. On Premises
- D. In Transit
- E. Money Orders and Counterfeit Money
- F. Computer Crime
- G. Funds Transfer Fraud
- H. Personal Accounts Protection
- I. Claims Expense

Policy # (Bond #): 105738285

Policy Period: October 1, 2011 through October 1, 2012

Policy Limit: \$1,000,000

**Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Education
Cherokee Immersion Charter School
District No. T001
Cherokee County, Oklahoma

We have audited the accompanying fund type financial statements of Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012, which were prepared in conformity with accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 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.

Board of Education
Cherokee Immersion Charter School
District No. T001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

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

BKD, LLP

October 12, 2012

Cherokee Immersion Charter School
District No. T001
Schedule of Findings and Responses
Year Ended June 30, 2012

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

STATE OF OKLAHOMA)
County of Tulsa) ss

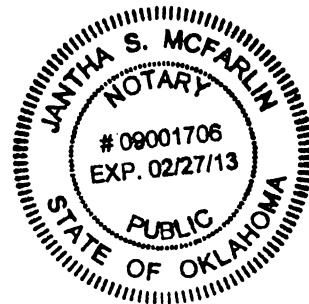
BKD, LLP

Jeffrey M. Pomeroy, Partner

Subscribed and sworn to before me on this 16th day of October, 2013.
My commission expires on 27th day of February, 2013

Jonathan L. May
Notary Public

Affix Notary Seal



Janet Barresi
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599
Audit Acknowledgement Form
Cherokee Immersion Charter School, District No. T001
Cherokee County, Oklahoma
June 30, 2012

The annual independent audit for the Cherokee Immersion Charter School was presented to the Board of Education in an Open Board Meeting on 9/25/12, by BKD, LLP.
(date of meeting)

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

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 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 of Oklahoma Board of Education within thirty (30) days after receipt of said audit."

[Signature]
Superintendent of Schools

[Signature]
Board of Education President

[Signature]
Board of Education Vice President

[Signature]
Board of Education Member

[Signature]
Board of Education Member

[Signature]
Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this 16th day of October, 2012.

My commission expires on 16th day of October 2014

[Signature]
Notary Public

Affix Notary Seal