

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1**  
**GRADY COUNTY, OKLAHOMA**  
**JUNE 30, 2012**

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GRADY COUNTY, OKLAHOMA  
JUNE 30, 2012

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\* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. I-1, GRADY COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2012**

**BOARD OF EDUCATION**

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1st Vice President	Scott Williams
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**SCHOOL DISTRICT TREASURER**

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Kelly Hair

**BOARD CLERK**

Katrina McConnell



ANGEL,  
JOHNSTON &  
BLASINGAME, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Chickasha Independent School District #1  
Grady County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Chickasha Independent School District #1**, Grady County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2012, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the 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 opinions.

As described more fully in Note 1, **Chickasha Independent School District #1** Grady County, Oklahoma, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements referred to above include only the primary government of the Chickasha Independent School District #1, Grady County, Oklahoma which consists of all funds, organizations institutions, agencies, departments, and offices that comprise the District's legal entity. As discussed in Note 1A, the financial statements do not include financial data of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government.

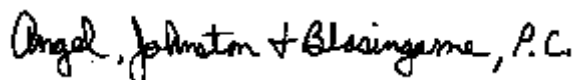
In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph and because the financial statements do not include financial data for its legally separate component unit, 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 **Chickasha Independent School District #1**, Grady County, Oklahoma, as of June 30, 2012, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Chickasha Independent School District, #1**, Grady County, Oklahoma as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of the School District's internal control over financial reporting and on 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements of **Chickasha Independent School District #1**, Grady County, Oklahoma. The combining fund 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. 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 combined financial statements as a whole on the regulatory basis of accounting described in Note 1.



Chickasha, Oklahoma  
January 11, 2013

COMBINED FINANCIAL STATEMENTS

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Equity**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2012**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2012
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents	\$ 2,914,225	\$ 135,786	\$ 104,296	\$ 89,298	\$ 328,637	\$ 0	\$ 3,572,243
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	104,296	104,296
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	2,225,704	2,225,704
Amounts to be Provided For Compensated Absences	0	0	0	0	0	333,580	333,580
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	33,579,501	33,579,501
<i>Total Assets</i>	<u>\$ 2,914,225</u>	<u>\$ 135,786</u>	<u>\$ 104,296</u>	<u>\$ 89,298</u>	<u>\$ 328,637</u>	<u>\$ 36,243,081</u>	<u>\$ 39,815,324</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Liabilities:							
Warrants Payable	\$ 1,218,579	\$ 20,911	\$ 0	\$ 29,359	\$ 80	\$ 0	\$ 1,268,928
Reserve for Encumbrances	268,486	26,493	0	34,982	1,747	0	331,708
Due to Activity Groups	0	0	0	0	267,647	0	267,647
General Obligation Bonds Payable	0	0	0	0	0	2,330,000	2,330,000
Compensated Absences Payable	0	0	0	0	0	333,580	333,580
Capitalized Lease Obligations Payable	0	0	0	0	0	33,579,501	33,579,501
<i>Total Liabilities</i>	<u>\$ 1,487,065</u>	<u>\$ 47,404</u>	<u>\$ 0</u>	<u>\$ 64,340</u>	<u>\$ 269,474</u>	<u>\$ 36,243,081</u>	<u>\$ 38,111,364</u>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 104,296	\$ 0	\$ 0	\$ 0	\$ 104,296
Reserved for Capital Projects	0	0	0	24,958	0	0	24,958
Cash Fund Balance	1,427,160	88,383	0	0	59,163	0	1,574,705
<i>Total Fund Equity</i>	<u>\$ 1,427,160</u>	<u>\$ 88,383</u>	<u>\$ 104,296</u>	<u>\$ 24,958</u>	<u>\$ 59,163</u>	<u>\$ 0</u>	<u>\$ 1,703,960</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 2,914,225</u>	<u>\$ 135,786</u>	<u>\$ 104,296</u>	<u>\$ 89,298</u>	<u>\$ 328,637</u>	<u>\$ 36,243,081</u>	<u>\$ 39,815,324</u>

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

**Chickasha School District No.1-001, Grady 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
<b>Revenue Collected:</b>					
Local Sources	\$ 2,665,638	\$ 669,170	\$ 2,114,516	\$ 216	\$ 5,449,541
Intermediate Sources	401,183	0	0	0	401,183
State Sources	11,193,342	13,556	12	0	11,206,910
Federal Sources	1,542,678	694,352	0	0	2,237,031
Non-Revenue Receipts	0	700	0	0	700
<i>Total Revenue Collected</i>	<u>\$ 15,802,841</u>	<u>\$ 1,377,779</u>	<u>\$ 2,114,528</u>	<u>\$ 216</u>	<u>\$ 19,295,364</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 9,556,674	\$ 5,791	\$ 0	\$ 23,011	\$ 9,585,476
Support Services	5,843,662	341,200	0	15,327	6,200,190
Operation of Non-Instructional Services	721,896	553,153	0	0	1,275,050
Facilities Acquisition and Construction	119,713	37,045	0	37,365	194,123
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	1,925,000	0	1,925,000
Interest and Fiscal Agent Fees	0	0	145,940	0	145,940
<i>Total Expenditures Paid</i>	<u>\$ 16,241,945</u>	<u>\$ 937,190</u>	<u>\$ 2,070,940</u>	<u>\$ 75,703</u>	<u>\$ 19,325,779</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (439,104)</u>	<u>\$ 440,589</u>	<u>\$ 43,588</u>	<u>\$ (75,488)</u>	<u>\$ (30,414)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 34,589</u>	<u>\$ 11,190</u>	<u>\$ 0</u>	<u>\$ 4,063</u>	<u>\$ 49,842</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 836	\$ 297	\$ 0	\$ 0	\$ 1,133
Bond Proceeds	0	0	0	0	0
Transfers In	582,322	0	0	0	582,322
Transfers Out	(200)	(464,910)	0	0	(465,110)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 582,958</u>	<u>\$ (464,613)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,345</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 178,443</u>	<u>\$ (12,834)</u>	<u>\$ 43,588</u>	<u>\$ (71,425)</u>	<u>\$ 137,773</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,248,717</u>	<u>101,217</u>	<u>60,708</u>	<u>96,383</u>	<u>1,507,024</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,427,160</u>	<u>\$ 88,383</u>	<u>\$ 104,296</u>	<u>\$ 24,958</u>	<u>\$ 1,644,797</u>

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



**Chickasha School District No.1-001, Grady 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
<b>Revenue Collected:</b>									
Local Sources	\$ 2,301,710	\$ 2,301,710	\$ 2,665,638	\$ 589,974	\$ 634,196	\$ 669,170	\$ 2,010,232	\$ 2,010,232	\$ 2,114,528
Intermediate Sources	342,000	342,000	401,183	0	0	0	0	0	0
State Sources	10,639,755	10,639,755	11,193,342	11,508	13,554	13,556	0	0	0
Federal Sources	1,712,360	1,712,360	1,542,678	597,952	694,352	694,352	0	0	0
Non-Revenue Receipts	0	0	0	0	0	700	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 14,995,826</u>	<u>\$ 14,995,826</u>	<u>\$ 15,802,841</u>	<u>\$ 1,199,434</u>	<u>\$ 1,342,102</u>	<u>\$ 1,377,779</u>	<u>\$ 2,010,232</u>	<u>\$ 2,010,232</u>	<u>\$ 2,114,528</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 11,036,466	\$ 11,036,466	\$ 9,556,674	\$ 5,800	\$ 5,800	\$ 5,791	\$ 0	\$ 0	\$ 0
Support Services	5,059,113	5,059,113	5,843,662	377,014	377,014	341,200	0	0	0
Operation of Non-Instructional Services	518,900	518,900	721,896	507,000	649,668	553,153	0	0	0
Facilities Acquisition and Construction	0	0	119,713	20,000	20,000	37,045	0	0	0
Other Outlays	184,620	184,620	0	0	0	0	2,070,940	2,070,940	2,070,940
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 16,799,099</u>	<u>\$ 16,799,099</u>	<u>\$ 16,241,945</u>	<u>\$ 909,814</u>	<u>\$ 1,052,482</u>	<u>\$ 937,190</u>	<u>\$ 2,070,940</u>	<u>\$ 2,070,940</u>	<u>\$ 2,070,940</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,803,274)</u>	<u>\$ (1,803,274)</u>	<u>\$ (439,104)</u>	<u>\$ 289,620</u>	<u>\$ 289,620</u>	<u>\$ 440,589</u>	<u>\$ (60,708)</u>	<u>\$ (60,708)</u>	<u>\$ 43,588</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,589</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,190</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 836	\$ 0	\$ 0	\$ 297	\$ 0	\$ 0	\$ 0
Transfers In	554,757	554,757	582,322	630	630	0	0	0	0
Transfers Out	(200)	(200)	(200)	(391,467)	(391,467)	(464,910)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 554,557</u>	<u>\$ 554,557</u>	<u>\$ 582,958</u>	<u>\$ (390,837)</u>	<u>\$ (390,837)</u>	<u>\$ (464,613)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (1,248,717)</u>	<u>\$ (1,248,717)</u>	<u>\$ 178,443</u>	<u>\$ (101,217)</u>	<u>\$ (101,217)</u>	<u>\$ (12,834)</u>	<u>\$ (60,708)</u>	<u>\$ (60,708)</u>	<u>\$ 43,588</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,248,717</u>	<u>1,248,717</u>	<u>1,248,717</u>	<u>101,217</u>	<u>101,217</u>	<u>101,217</u>	<u>60,708</u>	<u>60,708</u>	<u>60,708</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,427,160</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,383</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 104,296</u>

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

**Chickasha ISD No. 1, Grady 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 Chickasha Public Schools Independent District No. 1, Grady 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.

A new criterion was established by GASBS Statement No. 39 that became effective for the year ended June 30, 2004. Under GASBS Statement No. 39, a legally separate, tax-exempt organization should be reported as a component unit if: 1) the economic resources of the separate organization are almost entirely for the direct benefit of the primary government or its constituents, 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, 3) and if the economic resources of the separate organization are significant to the primary government. Under this criterion, Chickasha Public School Foundation would be required to be included in the District's financial statements as a discretely presented component unit. However, the District has elected not to include it in the District's reporting entity.

**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.

**Chickasha ISD No. 1, Grady 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, Governmental Fund Types, (continued)**

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

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

**Governmental Fund Types**

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

**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 and the Child Nutrition 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 District's building and transportation bond issues. These funds are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating exiting facilities and purchasing transportation equipment.

**Chickasha ISD No. 1, Grady 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)**

**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.

**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.

**2. Gift Fund** – The gift fund consists of the Pro WM L Williams Scholarship fund and is a non-expendable trust fund. The principal may not be expended but the annual interest may be awarded to a local student based upon a science project.

**3. Insurance Recovery Fund** – The Insurance Recovery Fund was established when a school building burned and an insurance reimbursement was received. This fund is used to account for monies received from insurance claims and the District anticipates spending the proceeds for construction, education supplies and equipment as allowed by law.

**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.

**Chickasha ISD No. 1, Grady 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**

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.
- 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.

**Chickasha ISD No. 1, Grady 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)**

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.

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. The District does not pay for unused sick leave upon retirement and, therefore, no amount has been reported in the general long-term debt account group.

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.

**Chickasha ISD No. 1, Grady 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)**

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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

**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	\$	3,613,516
Time Deposits		<u>0</u>
Total Deposits	\$	<u><u>3,613,516</u></u>
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ <u>0</u>
Total Investments	\$	<u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	3,572,243
Activity Fund Outstanding Checks		<u>41,273</u>
Total Deposits and Investments	\$	<u><u>3,613,516</u></u>

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2012**

**Note 2 – Deposit and Investment Risk, (continued)**

**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.

**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 counterparty 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.



**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2012**

**Note 2 – Deposit and Investment Risk, (continued)**

**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.

**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, and capital leases. 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 Leases	Compensated Absences	Total
Balance July 1, 2011	4,255,000	33,364,043	336,686	37,955,729
Additions	0	250,000	0	250,000
Retirements	1,925,000	-34,542	-3,106	-1,962,648
Balance, June 30, 2012	2,330,000	33,579,501	333,580	36,243,081

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2012**

**Note 3 - General Long-term Debt (continued)**

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>
2010 Combined Purpose Bonds	1.65 to 1.75%	July 1, 2013	\$ 4,005,000	\$ 2,130,000
2006 Building Bonds Series B	3.9 to 4.05%	July 1, 2016	<u>450,000</u>	<u>200,000</u>
<b>Totals</b>			<b>\$ <u>4,455,000</u></b>	<b>\$ <u>2,330,000</u></b>

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>
<b>2006 Building Bond Series B</b>			
2012-13	\$ 0	\$ 0	\$ 0
2013-14	50,000	8,025	58,025
2014-15	50,000	6,025	56,025
2015-16	50,000	4,025	54,025
2016-17	<u>50,000</u>	<u>2,025</u>	<u>52,025</u>
<b>Sub Total</b>	<b>\$ <u>200,000</u></b>	<b>\$ <u>20,100</u></b>	<b>\$ <u>220,100</u></b>
<b>2010 Combined Purpose Bond</b>			
2012-13	\$ 0	\$ 0	\$ 0
2013-14	<u>2,130,000</u>	<u>35,145</u>	<u>2,165,145</u>
<b>Sub Total</b>	<b>\$ <u>2,130,000</u></b>	<b>\$ <u>35,145</u></b>	<b>\$ <u>2,165,145</u></b>
<b>Total Bonds</b>	<b>\$ <u>2,330,000</u></b>	<b>\$ <u>55,245</u></b>	<b>\$ <u>2,385,245</u></b>

The District has entered into lease agreements as lessee for financing a 2008 Ford Pickup, an Early Childhood Center, an Activity Center, High School Improvements, Exterior Doors, Land and Electrical upgrades and carpet. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2012**

**Note 3 - General Long-term Debt (continued)**

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease. The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	2008 Ford Pickup	Early Childhood Center	Activity Center	High School Improvement s	Exterior Doors QZAB	Land	Elect Upgrade Carpet	Total
2013	\$ 6,341	727,650	2,509,350	891,000	17,810	10,865	21,643	\$ 4,184,659
2014	0	0	0	0	0	10,865	21,643	32,508
2015	0	900,900	0	3,460,050	0	10,865	21,644	4,393,459
2016	0	0	0	0	0	10,865	21,644	32,509
2017	0	1,074,150	0	3,509,550	0	10,866	21,644	4,616,210
2018	0	0	0	0	0	10,866	21,644	32,510
2019	0	1,262,250	0	3,509,550	0	10,866	21,644	4,804,310
2020	0	0	0	0	0	12,000	21,644	33,644
2021	0	4,959,600	0	0	0	0	21,644	4,981,244
2022	0	0	0	0	0	0	21,644	21,644
2023	0	5,157,600	0	0	0	0	0	5,157,600
2024	0	0	0	0	0	0	0	0
2025	0	5,365,500	0	0	0	0	0	5,365,500
Total	\$ 6,341	19,447,650	2,509,350	11,370,150	17,810	88,058	216,438	\$ 33,655,797
Less Amount Representing Int.	-300	0	0	0	0	-9,558	-66,438	-76,296
Present Value of Future Minimum Lease Payments	\$ 6,041	19,447,650	2,509,350	11,370,150	17,810	78,500	150,000	\$ 33,579,501

**Compensated Absences**

The District accrues for unused sick and vacation leave for eligible employees. Unused sick leave is calculated at \$10 per day and capped at 120 days. Unused sick days over 120 is still maintained in a bank for the purpose of the employee applying amount to buy additional teacher retirement up retirement. Unused vacation leave for eligible employees is calculated by multiplying the employees daily rate by the number of unused vacation days at June 30. The following is the liability as of June 30, 2012:

Unused Sick Leave Liability	\$286,977
Unused Vacation Liability	<u>46,603</u>
Total Compensated Absences	<u>\$333,580</u>

**Chickasha ISD No. 1, Grady 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 852,687, 883,360, and \$902,805 respectively.

The compensation for employees covered by the System for the year ended June 30, 2012 was \$8,972,512; the District's total compensation was \$12,038,661. 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 (\$51,261) and 9.50% of compensation arising from post retirement employees (\$0). There were \$470,537 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, 2011, 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>

**Chickasha ISD No. 1, Grady 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, 2011. 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 agency. 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.

**Litigation** – The District is subject to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three year period which is deposited into the District's Sinking Fund for the payment of any court assessed judgment rendered against the District. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the District and the State statute relating to judgment, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

**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 - 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 8 – Budget Amendments**

The Child Nutrition Fund Budget was amended once during the year by filing a supplemental appropriation form with the county clerk's office. This supplemental was filed June 11, 2012 for \$142,668. This increased the original Child Nutrition Fund Budget from \$898,467 to \$1,041,135.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2012**

**Note 9 – Surety Bonds**

The District has a schedule bond with the Ohio Casualty Insurance company bond number 1594556 for the period January 1, 2012 to January 1, 2013 which covers the following positions:

Superintendent	\$100,000
Child Nutrition fund Custodian	10,000
Activity Fund Custodian	25,000
Encumbrance Clerk	10,000

OTHER SUPPLEMENTAL INFORMATION

**Chickasha School District No.I-001, Grady County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Cash Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2012**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>Total June 30, 2012</u></b>
Cash and Cash Equivalents	\$ 102,435	\$ 33,351	\$ 135,786
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 102,435</u>	<u>\$ 33,351</u>	<u>\$ 135,786</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Warrants Payable	\$ 20,703	\$ 208	\$ 20,911
Reserve for Encumbrances	<u>17,098</u>	<u>9,395</u>	<u>26,493</u>
<i>Total Liabilities</i>	<u>\$ 37,801</u>	<u>\$ 9,603</u>	<u>\$ 47,404</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 64,634</u>	<u>\$ 23,748</u>	<u>\$ 88,383</u>
<i>Total Fund Balance</i>	<u>\$ 64,634</u>	<u>\$ 23,748</u>	<u>\$ 88,383</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 102,435</u>	<u>\$ 33,351</u>	<u>\$ 135,786</u>



**Chickasha School District No.1-001, Grady 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>
<b>Revenue Collected:</b>			
Local Sources	\$ 356,733	\$ 312,437	\$ 669,170
Intermediate Sources	0	0	0
State Sources	2	13,554	13,556
Federal Sources	0	694,352	694,352
Non-Revenue Receipts	0	700	700
	<u>0</u>	<u>700</u>	<u>700</u>
<i>Total Revenue Collected</i>	<u>\$ 356,735</u>	<u>\$ 1,021,044</u>	<u>\$ 1,377,779</u>
<b>Expenditures Paid:</b>			
Instruction	\$ 5,791	\$ 0	\$ 5,791
Support Services	341,200	0	341,200
Operation of Non-Instructional Services	0	553,153	553,153
Facilities Acquisition and Construction	37,045	0	37,045
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 384,037</u>	<u>\$ 553,153</u>	<u>\$ 937,190</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (27,301)</u>	<u>\$ 467,890</u>	<u>\$ 440,589</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 11,190</u>	<u>\$ 0</u>	<u>\$ 11,190</u>
<b>Other Financing Sources (Uses):</b>			
Estopped Warrants	\$ 283	\$ 15	\$ 297
Transfers In	0	0	0
Transfers Out	0	(464,910)	(464,910)
	<u>0</u>	<u>(464,910)</u>	<u>(464,910)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 283</u>	<u>\$ (464,896)</u>	<u>\$ (464,613)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (15,828)</u>	<u>\$ 2,994</u>	<u>\$ (12,834)</u>
<i>Fund Balance - Beginning of Year</i>	<u>80,463</u>	<u>20,754</u>	<u>101,217</u>
<i>Fund Balance - End of Year</i>	<u>\$ 64,634</u>	<u>\$ 23,748</u>	<u>\$ 88,383</u>

Chickasha School District No.I-001, Grady 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			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 322,351	\$ 322,351	\$ 356,733	\$ 267,623	\$ 311,845	\$ 312,437	\$ 589,974	\$ 634,196	\$ 669,170
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	2	11,508	13,554	13,554	11,508	13,554	13,556
Federal Sources	0	0	0	597,952	694,352	694,352	597,952	694,352	694,352
Non-Revenue Receipts	0	0	0	0	0	700	0	0	700
<i>Total Revenue Collected</i>	<u>\$ 322,351</u>	<u>\$ 322,351</u>	<u>\$ 356,735</u>	<u>\$ 877,083</u>	<u>\$ 1,019,751</u>	<u>\$ 1,021,044</u>	<u>\$ 1,199,434</u>	<u>\$ 1,342,102</u>	<u>\$ 1,377,779</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 5,800	\$ 5,800	\$ 5,791	\$ 0	\$ 0	\$ 0	\$ 5,800	\$ 5,800	\$ 5,791
Support Services	377,014	377,014	341,200	0	0	0	377,014	377,014	341,200
Operation of Non-Instructional Services	0	0	0	507,000	649,668	553,153	507,000	649,668	553,153
Facilities Acquisition and Construction	20,000	20,000	37,045	0	0	0	20,000	20,000	37,045
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 402,814</u>	<u>\$ 402,814</u>	<u>\$ 384,037</u>	<u>\$ 507,000</u>	<u>\$ 649,668</u>	<u>\$ 553,153</u>	<u>\$ 909,814</u>	<u>\$ 1,052,482</u>	<u>\$ 937,190</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (80,463)</u>	<u>\$ (80,463)</u>	<u>\$ (27,301)</u>	<u>\$ 370,083</u>	<u>\$ 370,083</u>	<u>\$ 467,890</u>	<u>\$ 289,620</u>	<u>\$ 289,620</u>	<u>\$ 440,589</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,190</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,190</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 283	\$ 0	\$ 0	\$ 15	\$ 0	\$ 0	\$ 297
Transfers In	0	0	0	630	630	0	630	630	0
Transfers Out	0	0	0	(391,467)	(391,467)	(464,910)	(391,467)	(391,467)	(464,910)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283</u>	<u>\$ (390,837)</u>	<u>\$ (390,837)</u>	<u>\$ (464,896)</u>	<u>\$ (390,837)</u>	<u>\$ (390,837)</u>	<u>\$ (464,613)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (80,463)</u>	<u>\$ (80,463)</u>	<u>\$ (15,828)</u>	<u>\$ (20,754)</u>	<u>\$ (20,754)</u>	<u>\$ 2,994</u>	<u>\$ (101,217)</u>	<u>\$ (101,217)</u>	<u>\$ (12,834)</u>
<i>Fund Balance - Beginning of Year</i>	<u>80,463</u>	<u>80,463</u>	<u>80,463</u>	<u>20,754</u>	<u>20,754</u>	<u>20,754</u>	<u>101,217</u>	<u>101,217</u>	<u>101,217</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 64,634</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,748</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,383</u>

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**All Fiduciary Fund Types - Regulatory Basis**  
**For the Year Ending June 30, 2012**

	<u>Expendable Trust Funds</u>		<u>Agency Funds</u>	
	<u>Gift and Endowment Fund</u>	<u>Insurance Recovery Fund</u>	<u>School Activity Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ 1,650	\$ 59,340	\$ 267,647	\$ 328,637
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 1,650</u>	<u>\$ 59,340</u>	<u>\$ 267,647</u>	<u>\$ 328,637</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities				
Warrants Outstanding	\$ 0	\$ 80	\$ 0	\$ 80
Due to Activity Groups	0	0	\$ 267,647	267,647
Encumbrances Payable	<u>0</u>	<u>1,747</u>	<u>0</u>	<u>1,747</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,827</u>	<u>\$ 267,647</u>	<u>\$ 269,474</u>
Fund Equity:				
Unreserved/Undesignated	<u>\$ 1,650</u>	<u>\$ 57,513</u>	<u>\$ 0</u>	<u>\$ 59,163</u>
<b>Total Liabilities and Fund Equity</b>	<u><b>\$ 1,650</b></u>	<u><b>\$ 59,340</b></u>	<u><b>\$ 267,647</b></u>	<u><b>\$ 328,637</b></u>

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Fiduciary Fund Types**  
**For the Year Ending June 30, 2012**

<b>ACTIVITIES</b>	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
ABE/GED	\$ 926	\$ 13,776	\$ 11,658	\$ 3,044
Archery in the Schools	12,012	28,493	31,238	9,267
Textbook/Equipment	0	3,862	3,862	0
Flower Fund-Administration	26	135	105	56
Board of Education	560	6,230	4,622	2,168
Grand Elementary	12,466	17,554	14,211	15,809
Lunch Fund	0	312,650	312,398	253
Lincoln Elementary	961	3,801	3,639	1,123
Alternative Education	285	526	573	238
Trans/Maintenance	228	424	440	212
Southwest Elementary	5,466	12,486	17,952	0
Southwest Library	820	1,062	1,882	0
Southwest Daycare	3,948	19,968	23,916	0
Grand Daycare	23,506	55,738	66,433	12,811
Grand Library	1,424	1,336	2,112	648
Lincoln Journalism	450	1,782	1,418	814
Lincoln Media Center	717	344	220	842
Lincoln Pictures/Vending	2,228	1,552	565	3,215
Middle School Office	507	4,427	3,820	1,113
MS Cheerleaders	33	0	0	33
MS Faculty Fund	75	0	57	18
MS Science Club	647	139	542	244
MS Enrichment Program	407	0	3	404
MS F.C.C.L.A.	1,967	5,225	4,669	2,523
MS Academic Programs	385	7,747	8,081	51
MS Art	160	745	0	905
MS Honor Society	1,234	2,593	2,738	1,090
MS Indust. Arts-AT/AE	2,563	216	13	2,766
MS Journalism	2,259	3,216	4,886	589
MS Pictures/Vending	5,665	5,436	4,821	6,280
MS Library	955	202	356	801
MS 7th Grade Class	427	0	3	424
MS Student Council	1,408	0	10	1,398
MS Vocal Music	490	12,699	12,981	207
Early Childhood Center	4,724	20,064	16,185	8,603
Early Childhood Media	737	1,564	1,376	925
ECC Pictures	3,545	7,166	7,270	3,441
ECC Daycare	2,039	23,771	15,994	9,816
BW Memorial Fund	0	2,416	2,296	120
Southwest Pictures	819	2,346	3,165	0
Alt. Ed. Vending/Picture	649	552	620	581
Grand Pictures	3,986	3,319	1,363	5,942
Grand Spirit Squad	4,539	7,010	9,285	2,264
BJ Clack 11-12	0	30,029	0	30,029
BJ Clack 04-05	5,358	8	5,365	0
BJ Clack 05-06	1,745	2	1,748	0
Sub Total	<u>\$ 113,344</u>	<u>\$ 622,612</u>	<u>\$ 604,887</u>	<u>\$ 131,069</u>

**Chickasha School District No. I-001, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Fiduciary Fund Types**  
**For the Year Ending June 30, 2012**

<b>ACTIVITIES</b>	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
BJ Clack 06-07	\$ 2,570	\$ 3	\$ 2,573	\$ (0)
BJ Clack 07-08	6,413	13	318	6,107
BJ Clack 08-09	2,432	3	1,198	1,237
BJ Clack 09-10	9,831	13	7,101	2,743
BJ Clack 10-11	30,461	51	10,159	20,353
Nurse Fund	237	0	2	236
High School Office	1,591	5,545	4,670	2,466
Student ID Badges	360	78	181	257
Robotics	0	36,113	26,851	9,263
Art Club	843	3,939	3,284	1,497
Band	5,799	37,918	37,032	6,685
Key Club	678	2,542	2,235	984
Chess Club	7	0	1	6
Vending Machine	4,494	7,319	6,475	5,338
HS Journalism	9,184	19,269	19,600	8,852
Freshman Class Junior Class	33	585	365	254
Junior Class	1,216	1,969	946	2,239
Sophomore Class	112	748	501	359
Senior Class	1,359	1,626	2,946	38
Drama	161	99	140	120
Driver's Education	0	13,874	13,874	0
American Sigh Language	74	0	74	0
FFA	5,343	72,009	68,519	8,833
FCCLA	228	0	228	0
French club	409	0	3	406
High School Fund Raiser	1,005	0	638	367
Horticulture	4,035	1,070	1,764	3,341
HS Library	1,268	205	97	1,376
National Honor Society	115	409	460	65
Academic Club	268	4,475	3,947	796
School Store	49	131	0	180
Spanish Club	60	1,748	1,703	106
Special Olympics	9,921	2,383	4,141	8,163
Student Council	2,259	1,575	1,231	2,603
Vehicle Registration	3,355	888	850	3,393
Vocal Music	2,766	7,075	6,747	3,094
After Prom Account	271	3,245	3,351	166
Jr./Sr. Prom	1,691	6,289	6,139	1,841
Coaches Account	631	1,369	1,451	549
Cross Country	88	912	1,000	0
Football	0	6,088	6,088	0
Basketball Boys	0	4,500	4,243	257
Basketball Girls	58	4,160	3,828	390
Swimming	164	1,036	1,019	182
Baseball	892	14,729	12,583	3,037
Softball	0	16,795	14,285	2,510
Sub Total	\$ 112,729	\$ 282,799	\$ 284,840	\$ 110,689

**Chickasha School District No. I-001, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Fiduciary Fund Types**  
**For the Year Ending June 30, 2012**

<b><u>ACTIVITIES</u></b>	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
Wrestling	\$ 0	\$ 7,598	\$ 5,956	\$ 1,641
Tennis Boys	265	2,735	2,499	501
Track	257	4,269	3,604	922
Boys Golf	286	2,714	2,996	4
Soccer	2,974	12,577	15,037	514
Athletic Administration	86	379	464	0
Athletic Miscellaneous	178	7,602	6,014	1,766
Carryover	0	3,943	3,592	351
Concessions	4,733	74,836	69,342	10,227
Pom Pom	0	1,861	1,810	51
Cheerleading	2,231	3,418	5,297	351
Volleyball	74	1,426	1,460	40
Athletics Gate	13,431	190,977	195,509	8,899
Athletics Medical	1,414	3,586	4,377	623
Sub Total	<u>\$ 25,927</u>	<u>\$ 317,921</u>	<u>\$ 317,959</u>	<u>\$ 25,889</u>
Total Activity Funds	<u>\$ 252,000</u>	<u>\$ 1,223,332</u>	<u>\$ 1,207,686</u>	<u>\$ 267,647</u>
Insurance Recovery Fund	<u>\$ 258,021</u>	<u>274</u>	<u>198,955</u>	<u>59,340</u>
Gift Fund	<u>\$ 1,646</u>	<u>3</u>	<u>0</u>	<u>1,650</u>
<b>Total All Fiduciary Fund Types</b>	<u>\$ 511,667</u>	<u>\$ 1,223,609</u>	<u>\$ 1,406,641</u>	<u>\$ 328,637</u>

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1, GRADY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS EXPENDED  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2011	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2012
<b>U.S. Department of Education</b>						
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Part A, Basic (Note 3)	84.010	511/512/786	(5,034)	473,259	491,679	(23,454)
Title I, Part D, Subpart 2, Delinquent Title I Cluster	84.010	532	(14,573)	33,809	32,977	(13,741)
			(19,607)	507,068	524,656	(37,195)
IDEA-B, Part B Discretionary	84.027	613	0	0	5,000	(5,000)
IDEA-B Flowthrough	84.027	621	(2,911)	580,437	583,752	(6,226)
ARRA IDEA B, Flow Through	84.391A	622	(2,138)	2,138	0	0
ARRA Preschool	84.392A	643	0	4,876	4,876	0
IDEA-B Preschool	84.173	641	0	16,235	16,235	0
<b>Special Education Cluster</b>			(5,049)	603,686	609,863	(11,226)
Title II, Part A (Note 3)	84.367	541/786	0	123,819	136,552	(12,733)
Title II, Part D -Technology & Professional Dev	84.318	546/548	(1,758)	1,758	0	0
Adult Basic Education	84.002	731	(30,479)	159,531	129,283	(231)
English Literacy - Adult Basic Education	84.002	732	(334)	334	0	0
Positive Behavioral Intervention & Support	84.323A	651	0	2,018	2,018	0
<u>Passed Through Oklahoma Department of Career Technology:</u>						
Cark Perkins	84.008	421	0	28,723	28,723	0
<b>Total U.S. Department of Education</b>			<b>(57,227)</b>	<b>1,426,937</b>	<b>1,431,095</b>	<b>(61,385)</b>
<b>U.S. Department of Health and Human Services</b>						
<u>Passed through Oklahoma Health Care Authority:</u>						
Medicaid Resources	93.778	698	14,636	46,700	38,474	22,862
<u>Passed through Oklahoma Department of Human Services:</u>						
Temp Assist for Needy Family TANF	93.558	735	(13,345)	60,729	52,344	(4,960)
<b>Total U.S. Department of Health and Human Services</b>			<b>1,291</b>	<b>107,429</b>	<b>90,818</b>	<b>17,902</b>
<b>U.S. Department of the Interior</b>						
<u>Passed through the Chickasaw Nation:</u>						
Johnson O'Malley	15.130	563	(8,313)	8,313	9,008	(9,008)
<b>Total U.S. Department of the Interior</b>			<b>(8,313)</b>	<b>8,313</b>	<b>9,008</b>	<b>(9,008)</b>
<b>U.S. Department of Agriculture</b>						
<u>Passed Through State Department of Education:</u>						
Breakfast Program	10.553	764	0	192,271	192,271	0
Lunch Program	10.555	763	0	499,283	499,283	0
Summer Food Service	10.559	766	0	2,799	1,904	895
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	41,584	41,584	0
<b>Child Nutrition Cluster</b>			0	735,937	735,042	895
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>735,937</b>	<b>735,042</b>	<b>895</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>(64,249)</b>	<b>2,278,616</b>	<b>2,265,963</b>	<b>(51,596)</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received in the amount of \$41,584 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - Consolidated administrative funds revenues and expenditures are included with the programs that provided the funding: Title I, Part A-\$28,776 and Title II, Part A-\$7,546

The following transactions related to the American Recovery and Reinvestment Act:

	CFDA #	Program #	Federal Grant Receipts	Federal Grant Expenditures	Deferred ARRA Revenue (Accounts Rec)
ARRA Special Education	84.391A	622	2,138	0	0
ARRA Special Education Preschool	84.392A	643	4,876	4,876	0
			7,014	4,876	(0)

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1, GRADY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS EXPENDED**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(Continued)

<u>Grant Expenditures Include</u>	<u>Project</u>	<u>Indirect Cost</u>
IDEA-B Flowthrough	621	26,098
Title I	511/512/786	18,991
Title I-Part D	532	1,335
Title II-Part A	541/786	5,480





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CERTIFIED PUBLIC ACCOUNTANTS

**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  
Chickasha Independent School District #1  
Grady County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated January 11, 2013. The report on these financial statements was adverse because the District has elected to prepare 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 material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. 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 **Chickasha Independent School District #1**, Grady County, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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, we do not express an opinion on the effectiveness of the District'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.

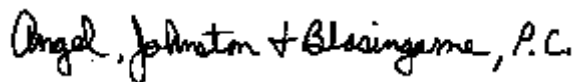
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2012-1, 2012-2, 2012-3, 2012-4, 2012-5, 2012-6) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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.

The District's responses to the findings identified in our audit are described on the attached Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education of Chickasha **Independent School District #1**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



Chickasha, Oklahoma  
January 11, 2013



ANGEL,  
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Chickasha Independent School District #I-1  
Grady County, Oklahoma

Board Members:

Compliance

We have audited **Chickasha Independent School District #I-1**, Grady County, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, **Chickasha Independent School District #I-1**, Grady County, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of education of **Chickasha Independent School District #I-1**, management, others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Angel, Johnston & Blessingame, P.C.*

Chickasha, Oklahoma  
January 11, 2013

**Chickasha ISD No. 1, Grady County**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |   |
|--|---|
| 1. Type of auditor's report issued   | Adverse<br>(Due to F/S being prepared on a regulatory basis of accounting.) |
| 2. Internal control over financial reporting;                                  |   |
| a. Material weaknesses identified?   | None Reported   |
| b. Significant deficiencies identified not considered to be material weakness? | Yes   |
| c. Noncompliance material to the financial statements noted?                   | No  |

Federal Awards

- |   |                                |
|---|--------------------------------|
| 1. Internal control over major program:   |                                |
| a. Material weaknesses identified?  | No                             |
| b. Significant deficiencies identified not considered to be material weakness?  | None Reported                  |
| 2. Type of auditor's report issued on compliance for major program:   | Unqualified                    |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No                             |
| 4. Identification of major programs:  |                                |
| <u>CFDA Number</u>  | <u>Name of Federal Program</u> |
| 10.553/10.555/10.559  | Child Nutrition Cluster        |
| 84.027/84.173/84.391A/84.392A   | Special Education Cluster      |
| 5. Dollar threshold used to distinguish between Type A or Type B programs:  | \$300,000                      |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?                                       | No                             |

**Chickasha ISD No. 1, Grady County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012  
(continued)

**Section 2**

Financial Statement Findings

**2012-1 Finding**

**Statement of Condition** - Sick leave and vacation leave taken by employees was not always turned in to the person in charge of tracking employee leave. Per discussions with management, it was the employee's responsibility to turn in the time taken off. Upon review of existing leave request documentation, we noted that there was no signature of the employee or the supervisor verifying the time taken. We also noted that several different individuals had access to the computer program where leave data was being compiled. In addition, all individuals with access to the program had the same password for access. Therefore, changes could be made to leave records without being able to identify the person who had made the changes

**Criteria** - Good internal controls require procedures be in place to ensure time taken off by an employee is accurately tracked and that access to the leave records is limited to individuals whose duty is to track employees leave.

**Cause/Effect of Condition** - Lack of internal controls and procedures gives opportunity to individuals to abuse vacation and sick leave.

**Recommendation** - We recommend employees be required to complete a leave request form which will document the time taken off by an employee. This leave request form should be signed by a supervisor as well as the employee. The supervisor should turn in the leave request form to the person whose duty it is to track employee leave. The person updating the employee's leave records should also sign and date the request form upon updating the employee's leave records. Access to the leave records should be limited to the person whose duty it is to maintain these records. And finally, we recommend that passwords be employee specific and be updated periodically.

**2012-2 Finding**

**Statement of Condition** - During our testing of payroll contracts, we noted instances where employees were not paid the correct rate for overtime worked. These employees had multiple job positions, with each position to be paid at different hourly rates. Per the Fair Labor Standard Act, an employee who works multiple positions at varying pay rates should be paid a blended rate of pay for any overtime hours worked. The previous payroll clerk was paying overtime at the highest rate. We also noted the previous payroll clerk (who is not considered an exempt employee under the FLSA), was not keeping time sheets prior to November 11, 2011; therefore, we could not determine if they were being paid the correct amount for those months.

**Criteria** - The Fair Labor Standards Act requires hours actually worked in excess of 40 hours per work week be paid at one and one-half times their regular rate of pay. In the case of individuals working different types of jobs within the school, a blended rate should be calculated. This should be a blended rate based upon a weighted average of hours worked and pay rates.

**Cause/Effect of Condition** - The previous payroll clerk in charge of calculating overtime did not use a weighted blended rate, but rather used the highest pay rate of all the employee's jobs at time and one-half. Also, we noted instances where overtime was paid to employees who did not actually work over 40 hours in the pay period because of sick/vacation leave. Overtime is only to be paid on actual work hours exceeding 40 hour per work week. Since the miscalculation occurred for all persons receiving overtime pay, we assume the payroll clerk did not understand the overtime pay calculation.

**Recommendation** - Employees should not be paid time and one-half (but would be paid straight time) if they did not actually work over 40 hours in a work week. In the case of individuals working different types of jobs within the school, a blended rate should be calculated. This should be a blended rate based upon a weighted average of hours worked and pay rates. The school should also require all non-exempt employees to prepare a time sheet to document their hours worked. These time sheets should be signed by the employee as well as a supervisor. Finally, we recommend the payroll clerk attend training classes on the Fair Labor Standards Act.

**2012-3 Finding** - We noted the rate of pay on the payroll contract for the previous Board clerk was increased during the year, but we could not find where this increase was approved in the board minutes.

**Criteria** - It appears normal procedures require any change to contract to be approved by the board of education.

**Cause/Effect of Condition** - It appears the school failed to get the revised contract approved by the board of education.

**Recommendation** - As per normal procedures, we recommend contracts that are changed after the initial contract is approved by the board of education be brought back to the board for approval.

**Chickasha ISD No. 1, Grady County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012  
(continued)

**2012-4 Finding**

**Statement of Condition** - We noted three (3) child nutrition employee payroll contracts that did not have the federal matching teacher retirement paid. The underpayment amount was \$2,356.22. This underpayment in no way effects the employees teacher retirement. We also tested several employees' contracts that are paid form other federal programs and found that the correct amount of teacher retirement was paid.

**Criteria** - Federal matching teacher retirement is required to be paid on all salaries coded to and paid from federal monies.

**Cause/Effect of Condition** - It appears some of these salaries were reclassified from a non-federal code to a federal code at year-end. The payroll software used by the school does not automatically adjust for matching federal teacher retirement when salaries are reclassified. This must be done manually in the payroll system. The previous payroll clerk did not make a adjustment for these payroll reclassifications.

**Recommendation** - Employees in charge of teacher retirement coding should take extra care when changing coding to make sure that the federal matching teacher retirement is paid on all salaries coded to a federal project code. We would also recommend the district notify Teacher's Retirement and remit the amount that was underpaid of \$2,356.22.

**2012-5 Finding**

**Statement of Condition** - We noted that beginning in November 2011, gate keepers and athletic book keepers were being paid their regular hourly rates (or time and one-half of their regular hourly rates if overtime applied) rather than the amount of \$10.00/hour that they had been paid in the past.

**Criteria** - The school should have an established rate of pay for athletic book keepers and gate keepers

**Cause/Effect of Condition** - The school did not appear to have established hourly rate of pay for gate keepers and athletic book keepers and these rates are paid to everyone who workes these positions. In prior years, these individuals wer paid \$10.00 per hour.

**Recommendation** - We recommend a rate of pay be approved for gate keepers and athletic book keepers and these rates are paid to everyone who workd these positions. A blended rate should be paid based on a weighted average of all hours worked should these individuals work in excess of 40 hours per pay period.

**2012-6 Finding**

**Statement of Condition** - The district's minutes clerk was not covered under a surety bond.

**Criteria** - Oklahoma Statutes require the school minutes clerk position be bonded for \$1,000.

**Cause/Effect of Condition** - The district was not aware of the requirement for the minutes clerk to be bonded.

**Recommendation** - The district should obtain a surety bond for the minutes clerk.

**Section 3**

**Federal Award Findings and Questioned Costs**

(None Reported)

Exhibit E-3

**Chickasha ISD No. 1, Grady County**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

**2011-1 Finding**

**Statement of Condition** – The district could not locate the signed purchase orders/requisitions for 11 of 56 goods/services expenditures tested from the appropriated funds.

**Criteria** – The District’s policies require a written purchase order that is signed by the purchasing officer and encumbrance attached to each invoice.

**Cause/Effect of Condition** – Failure to follow purchasing procedures could permit expenditures to be paid without having proper approvals.

**Recommendation** – The District should follow the purchasing policy by attaching a purchase order signed by the purchasing officer and encumbrance clerk to each invoice.

**Current Status** - We did not note any problems in this area during our 2011-12 audit testing.

**2011-2 – Finding**

**Statement of Condition** – The District did not have enough collateral pledged on June 30, 2011 to cover the balances in the bank that exceeded the FDIC insurance amounts by \$656,006.

**Criteria** – Oklahoma statutes require the treasurer to obtain collateral pledged to cover bank balances in excess of FDIC insurance coverage.

**Cause/Effect of Condition** – The District had an influx of revenue at the end of the year, and did not notice that they did not have enough coverage. The school could potentially lose the amount that is not covered by FDIC insurance and additional collateral if the bank was forced to close.

**Recommendation** – The District should periodically monitor the amount of collateral pledged to ensure the cash in the bank is adequately covered.

**Current Status** – The District had adequate collateral pledged on June 30, 2012.



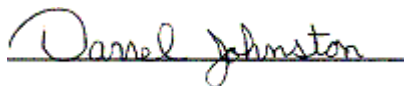
OTHER INFORMATION

Chickasha ISD No. 1, Grady County  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2012

STATE OF OKLAHOMA    )  
                                  )ss  
COUNTY OF GRADY     )

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 *Chickasha Schools* for the audit year 2011-12.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public

My Commission Expires 11-12-2016

SCHOOL'S CORRECTIVE ACTION PLAN



### Audit Corrections

Chickasha Public School District  
Grady County  
Audit Year 2011-2012

#### 2012-1 Steps Implemented

The District has implemented procedures for taking sick leave and vacation leave. All employees will fill out the appropriate leave forms for their positions when taking leave. Their immediate supervisor will approve these forms. The forms then sent to the personnel department for entering into the leave system. The Personnel department acknowledging entry into their leave records will sign off on the form. Only the designated person handling leave and their supervisor will have access into this program. All people's having access into the District's accounting system will have an individual password allowing them access only into the areas pertinent to their job duties.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: November 9, 2012

#### 2012-2 Steps Implemented

The District has implemented paying overtime at the blended rate when performing different job duties. In addition, overtime will be paid for actual time worked. All non-exempt employees are required to prepare a time sheet, which will be signed, by the employee and their supervisor at the end of each month. The payroll clerk will be enrolling in various classes throughout the year to keep current on the Fair Labor Standards Act as well as other important payroll issues.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: November 9, 2012

*Home of the Fightin' Chicks*

ADULT LEARNING CENTER	222-6562	GRAND AVENUE	222-6524	ATHLETIC DEPARTMENT	222-6556
HIGH SCHOOL	222-6550	LINCOLN	222-6522	HEALTH SERVICES	222-6519
QUALITY ACADEMY	222-6507	SOUTHWEST	222-6540	FOOD SERVICES	222-6573
MIDDLE SCHOOL	222-6530	BILL WALLACE ECC	222-6544	TRANSPORTATION & MAINT	222-6570



# CHICKASHA

## PUBLIC SCHOOLS

900 West Choctaw Avenue  
Chickasha Oklahoma 73018  
(405) 222-6500 (405) 222-6590 Fax  
www.chickasha.k12.ok.us

### 2012-3 Steps Implemented

The District has implemented procedures to take any changes to an employee's contract back to the Board for approval.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: November 9, 2012

### 2012-4 Steps Implemented

In the future, any payroll coding changes required by various Federal programs the District would make sure the appropriate amount of teachers retirement is paid on those funds.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: November 9, 2012

### 2012-5 Steps Implemented

The District has met with CUTA and CASE and has approved the rate of pay for gatekeepers and athletic bookkeepers at \$10 per hour. Any nonexempt employee who works in excess of 40 hours per pay period will be paid at the blended rate for overtime.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: November 9, 2012

### 2012-6 Steps Implemented

The District has obtained a surety bond for the minutes clerk.

Contact Person: Dwight Yokum, Director of Finance

Completion Date: January 11, 2013  
*Home of the Fightin' Chicks*

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ADULT LEARNING CENTER	222-6562	GRAND AVENUE	222-6524	ATHLETIC DEPARTMENT	222-6556
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MIDDLE SCHOOL	222-6530	BILL WALLACE ECC	222-6544	TRANSPORTATION & MAINT	222-6570