

CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1

GRADY COUNTY, OKLAHOMA

JUNE 30, 2017

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CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1

GRADY COUNTY, OKLAHOMA

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**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. I-1, GRADY COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017**

BOARD OF EDUCATION

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1st Vice President	Doug Brown
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INDEPENDENT AUDITOR'S REPORT

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

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As discussed in Note 1, the financial statements are prepared by **Chickasha Independent School District #1** Grady County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the above paragraph do not present fairly, in accordance 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, 2017, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance 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, 2017, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

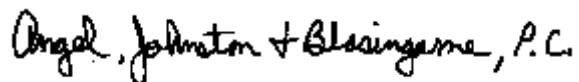
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Chickasha Independent School District #1, Grady County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018, on our consideration of the **Chickasha Independent School District, #1, Grady County, Oklahoma'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 Standard* in considering **Chickasha Independent School District, #1, Grady County, Oklahoma's** internal control over financial reporting and compliance.



Chickasha, Oklahoma
March 13, 2018

COMBINED FINANCIAL STATEMENTS

Chickasha School District No.1-001, Grady County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2017

	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, 2017
ASSETS							
Cash and Cash Equivalents	\$ 2,612,659	\$ 290,855	\$ 67,772	\$ 53	\$ 301,567	\$ 0	\$ 3,272,905
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	67,772	67,772
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	4,562,228	4,562,228
Amounts to be Provided For Capitalized Lease Obligations	0	0	0	0	0	20,403,330	20,403,330
Amounts to be Provided for Compensated Absences	0	0	0	0	0	326,017	326,017
Total Assets	\$ 2,612,659	\$ 290,855	\$ 67,772	\$ 53	\$ 301,567	\$ 25,359,347	\$ 28,632,252
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 1,370,114	\$ 22,024	\$ 0	\$ 53	\$ 0	\$ 0	\$ 1,392,191
Reserve for Encumbrances	0	0	0	0	0	0	0
Due to Activity Groups	0	0	0	0	301,567	0	301,567
General Obligation Bonds Payable	0	0	0	0	0	4,630,000	4,630,000
Capitalized Lease Obligation Payable	0	0	0	0	0	20,403,330	20,403,330
Compensated Absences Payable	0	0	0	0	0	326,017	326,017
Total Liabilities	\$ 1,370,114	\$ 22,024	\$ 0	\$ 53	\$ 301,567	\$ 25,359,347	\$ 27,053,105
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 67,772	\$ 0	\$ 0	\$ 0	\$ 67,772
Capital Projects	0	0	0	(0)	0	0	(0)
Building Programs	0	268,831	0	0	0	0	268,831
Child Nutrition Programs	0	0	0	0	0	0	0
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	1,242,545	0	0	0	0	0	1,242,545
Total Fund Balances	\$ 1,242,545	\$ 268,831	\$ 67,772	\$ (0)	\$ 0	\$ 0	\$ 1,579,147
Total Liabilities and Fund Balances	\$ 2,612,659	\$ 290,855	\$ 67,772	\$ 53	\$ 301,567	\$ 25,359,347	\$ 28,632,252

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 Ended June 30, 2017

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2017
Revenue Collected:					
Local Sources	\$ 3,359,193	\$ 589,691	\$ 2,361,561	\$ 0	\$ 6,310,445
Intermediate Sources	554,002	0	0	0	554,002
State Sources	11,043,111	146	793	0	11,044,051
Federal Sources	2,602,312	12,711	0	0	2,615,022
Non-Revenue Receipts	137,551	37,039	300	0	174,890
<i>Total Revenue Collected</i>	<u>\$ 17,696,169</u>	<u>\$ 639,587</u>	<u>\$ 2,362,654</u>	<u>\$ 0</u>	<u>\$ 20,698,410</u>
Expenditures Paid:					
Instruction	\$ 8,989,794	\$ 66,323	\$ 0	\$ 0	\$ 9,056,117
Support Services	6,993,469	331,121	0	51,963	7,376,553
Operation of Non-Instructional Services	1,414,536	101,262	0	0	1,515,798
Facilities Acquisition and Construction	0	37,823	0	4,583,700	4,621,523
Other Outlays	160,661	187,039	0	0	347,700
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	2,365,000	0	2,365,000
Interest and Fiscal Agent Fees	0	0	23,650	0	23,650
<i>Total Expenditures Paid</i>	<u>\$ 17,558,460</u>	<u>\$ 723,567</u>	<u>\$ 2,388,650</u>	<u>\$ 4,635,663</u>	<u>\$ 25,306,340</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 137,709</u>	<u>\$ (83,980)</u>	<u>\$ (25,996)</u>	<u>\$ (4,635,663)</u>	<u>\$ (4,607,930)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 2,586	\$ 763	\$ 0	\$ 0	\$ 3,349
Bond Proceeds	0	0	0	4,630,000	4,630,000
Transfers In	0	141,961	0	0	141,961
Transfers Out	141,733	(700)	0	0	141,033
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 144,319</u>	<u>\$ 142,024</u>	<u>\$ 0</u>	<u>\$ 4,630,000</u>	<u>\$ 4,916,343</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 282,028</u>	<u>\$ 58,044</u>	<u>\$ (25,996)</u>	<u>\$ (5,663)</u>	<u>\$ 308,413</u>
<i>Fund Balance - Beginning of Year</i>	<u>960,517</u>	<u>210,787</u>	<u>93,767</u>	<u>5,663</u>	<u>1,270,734</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,242,545</u>	<u>\$ 268,831</u>	<u>\$ 67,771</u>	<u>\$ (0)</u>	<u>\$ 1,579,147</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
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ended June 30, 2017

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 3,085,969	\$ 3,085,969	\$ 3,359,193	\$ 398,844	\$ 398,844	\$ 589,691	\$ 2,294,883	\$ 2,294,883	\$ 2,362,654
Intermediate Sources	475,000	475,000	554,002	0	0	0	0	0	0
State Sources	10,839,340	10,839,340	11,043,111	0	0	146	0	0	0
Federal Sources	2,546,453	2,546,453	2,602,312	0	0	12,711	0	0	0
Non-Revenue Receipts	0	0	137,551	0	0	37,039	0	0	300
<i>Total Revenue Collected</i>	<u>\$ 16,946,762</u>	<u>\$ 16,946,762</u>	<u>\$ 17,696,169</u>	<u>\$ 398,844</u>	<u>\$ 398,844</u>	<u>\$ 639,587</u>	<u>\$ 2,294,883</u>	<u>\$ 2,294,883</u>	<u>\$ 2,362,954</u>
Expenditures Paid:									
Instruction	\$ 18,046,896	\$ 18,046,896	\$ 8,989,794	\$ 0	\$ 0	\$ 66,323	\$ 0	\$ 0	\$ 0
Support Services	0	0	6,993,469	519,607	519,607	331,121	0	0	0
Operation of Non-Instructional Services	0	0	1,414,536	90,024	90,024	101,262	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	37,823	0	0	0
Other Outlays	0	0	160,661	0	0	187,039	2,388,650	2,388,650	2,388,650
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>\$ 18,046,896</u>	<u>\$ 18,046,896</u>	<u>\$ 17,558,460</u>	<u>\$ 609,631</u>	<u>\$ 609,631</u>	<u>\$ 723,567</u>	<u>\$ 2,388,650</u>	<u>\$ 2,388,650</u>	<u>\$ 2,388,650</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	<u>\$ (1,100,135)</u>	<u>\$ (1,100,135)</u>	<u>\$ 137,709</u>	<u>\$ (210,787)</u>	<u>\$ (210,787)</u>	<u>\$ (83,980)</u>	<u>\$ (93,767)</u>	<u>\$ (93,767)</u>	<u>\$ (25,696)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 2,586	\$ 0	\$ 0	\$ 763	\$ 0	\$ 0	\$ 0
Transfers In	139,618	139,618	0	0	0	141,961	0	0	0
Transfers Out	0	0	141,733	0	0	(700)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 139,618</u>	<u>\$ 139,618</u>	<u>\$ 144,319</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	<u>\$ (960,517)</u>	<u>\$ (960,517)</u>	<u>\$ 282,028</u>	<u>\$ (210,787)</u>	<u>\$ (210,787)</u>	<u>\$ 58,044</u>	<u>\$ (93,767)</u>	<u>\$ (93,767)</u>	<u>\$ (25,996)</u>
<i>Fund Balance - Beginning of Year</i>	<u>960,517</u>	<u>960,517</u>	<u>960,517</u>	<u>210,787</u>	<u>210,787</u>	<u>210,787</u>	<u>93,767</u>	<u>93,767</u>	<u>93,767</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,242,545</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 268,831</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,771</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, 2017

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.

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, 2017

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, 2017

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, 2017

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 recorded at cost, which approximated market value.

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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, 2017, 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 - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

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

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts

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, 2017

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, 2017:

			Carrying Value
Deposits			
Demand Deposits		\$	3,285,320
Time Deposits			0
Total Deposits		\$	<u>3,285,320</u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ 0
Total Investments			<u>\$ 0</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	3,272,905
Activity Fund Outstanding Checks			12,415
Total Deposits and Investments		\$	<u>3,285,320</u>

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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, 2017, the District was not exposed to custodial credit risk.

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 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, 2017, as defined above.

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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, 2017, 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, capital leases, and compensated absences. 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, 2017:

	Bonds Payable	Capital Leases	Compensated Absences	Total
Balance July 1, 2016	\$ 2,365,000	\$ 25,047,746	\$ 315,330	\$ 27,728,076
Additions	4,630,000	0	10,687	4,640,687
Retirements	-2,365,000	-4,644,416	0	-7,009,416
Balance, June 30, 2017	<u>\$ 4,630,000</u>	<u>\$ 20,403,330</u>	<u>\$ 326,017</u>	<u>\$ 25,359,347</u>

A brief description of the outstanding general obligation bond issues at June 30, 2017, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2016 Combined Purpose Bonds	1.25%	July 1, 2019	\$ 4,630,000	\$ 4,630,000
Totals			\$ 4,630,000	\$ 4,630,000

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

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>
2016 Combined Purpose Bond			
2017-18	\$ 0	0 \$	0
2018-19	2,315,000	130,219	2,445,219
2019-20	2,315,000	14,469	2,329,469
Total Bonds	\$ 4,630,000	\$ 144,688	\$ 4,774,688

The amount of interest paid on bonds during the year was \$23,650.

The District has entered into lease agreements as lessee for financing a 2013 Ford Pickup, an Early Childhood Center, an Activity Center, High School Improvements, a building integrator system and Electrical upgrades, carpet, a gooseneck trailer, and copiers. 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. The Honeywell Integrator System was paid off during the 2016-17 year.

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	2013 Ford Pickup	Early Childhood Center	High School Improvements	Elect Upgrade Carpet	Gooseneck Trailer	Copiers	Total
2018	\$ 7,355	0	0	21,644	5,611	18,036	\$ 52,646
2019	0	1,262,250	3,509,550	21,644	5,611	18,036	4,817,091
2020	0	0	0	21,644	5,610	6,012	33,266
2021	0	4,959,600	0	21,644	0	0	4,981,244
2022	0	0	0	21,644	0	0	21,644
2023	0	5,157,600	0	0	0	0	5,157,600
2024	0	0	0	0	0	0	0
2025	0	5,365,500	0	0	0	0	5,365,500
Total	\$ 7,355	16,744,950	3,509,550	108,220	16,832	42,084	\$ 20,428,991
Amount Representing Int.	-257	0	0	-20,161	-885	-4,358	-25,661
Present Value of Future Minimum Lease Payments	\$ 7,098	16,744,950	3,509,550	88,059	15,947	37,726	\$ 20,403,330

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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

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. Unused vacation leave for eligible employees is calculated by multiplying the employee's daily rate by the number of unused vacation days at June 30. The following is the liability as of June 30, 2017:

Unused Sick Leave Liability	\$254,291
Unused Vacation Liability	71,726
Total Compensated Absences	<u>\$326,017</u>

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 (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. 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. PERS provides retirement, disability and death benefits to plan members and beneficiaries. 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 a publicly available financial report that includes 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.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, 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, 2017. 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, 2017, 2016, and 2015 were \$862,844, \$860,362, and \$858,736, respectively.

The compensation for employees covered by the System for the year ended June 30, 2017 was \$8,930,544; the District's total compensation was \$12,914,976. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.70% of compensation arising from federal grants \$82,769. There were \$581,107.23 contributions made by employees during the year ended June 30, 2017.

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 4 - Employee Retirement System, (continued)

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, 2016, is as follows:

Total pension obligation	\$ 22,193,244,472
Net assets available for benefits, at cost	<u>14,577,868,730</u>
Nonfunded pension benefit obligation	<u>\$ 7,615,375,742</u>

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, 2016. 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.

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; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$108,001,321; general liability - \$2,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

Chickasha ISD No. 1, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2017

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 – Surety Bonds

The District has a schedule bond with the Ohio Casualty Insurance company bond number 1594556 for the period February 9, 2017 to February 9, 2018, which covers the following positions:

Superintendent	\$100,000
Child Nutrition fund Custodian	10,000
Activity Fund Custodian/Encumbrance Clerk	10,000
Encumbrance Clerk	10,000
Treasurer	100,000
Minutes Clerk	10,000
Payroll Clerk	10,000

Note 9 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Note 10 - Warrants Issued in Excess of Approved Appropriations

Warrants issued from the child nutrition fund were \$170,926.60 in excess of approved appropriations. The school did not file a supplemental appropriation form to cover this difference. The excess expenditures were caused when trying to dissolve the child nutrition fund and close out the bank accounts into the general fund. Prior to the time the child nutrition fund was ultimately closed out, money from the general fund was deposited in the child nutrition fund to pay back a prior year amount due.. This money was not appropriated in the original budget, so when the final check to close out the child nutrition fund was issued there were no approved appropriation available, even though the money was there. There was some confusion on how to accomplish getting the money out of the child nutrition fund and into the general fund.

OTHER SUPPLEMENTAL INFORMATION

Chickasha School District No.1-001, Grady County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2017

	Building Fund	Child Nutrition Fund	Total June 30, 2017
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 269,741	\$ 21,114	\$ 290,855
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 269,741</u></u>	<u><u>\$ 21,114</u></u>	<u><u>\$ 290,855</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 910	\$ 21,114	\$ 22,024
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u><u>\$ 910</u></u>	<u><u>\$ 21,114</u></u>	<u><u>\$ 22,024</u></u>
Fund Balances:			
Restricted	\$ <u>268,831</u>	\$ <u>0</u>	\$ <u>268,831</u>
<i>Total Fund Balances</i>	<u><u>\$ 268,831</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 268,831</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 269,741</u></u>	<u><u>\$ 21,114</u></u>	<u><u>\$ 290,855</u></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 Ended June 30, 2017

	Building Fund	Child Nutrition Fund	Total June 30, 2017
Revenue Collected:			
Local Sources	\$ 582,436	\$ 7,255	\$ 589,691
Intermediate Sources	0	0	0
State Sources	146	0	146
Federal Sources	0	12,711	12,711
Non-Revenue Receipts	28,050	8,989	37,039
	<u>28,050</u>	<u>8,989</u>	<u>37,039</u>
<i>Total Revenue Collected</i>	\$ <u>610,633</u>	\$ <u>28,955</u>	\$ <u>639,587</u>
Expenditures Paid:			
Instruction	\$ 66,323	\$ 0	\$ 66,323
Support Services	331,121	0	331,121
Operation of Non-Instructional Services	0	101,262	101,262
Facilities Acquisition and Construction	37,823	0	37,823
Other Outlays	28,050	158,989	187,039
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>463,317</u>	\$ <u>260,251</u>	\$ <u>723,567</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ <u>147,316</u>	\$ <u>(231,296)</u>	\$ <u>(83,980)</u>
Adjustments to Prior Year Encumbrances	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 752	\$ 11	\$ 763
Transfers In	0	141,961	141,961
Transfers Out	0	(700)	(700)
	<u>0</u>	<u>(700)</u>	<u>(700)</u>
<i>Total Other Financing Sources (Uses)</i>	\$ <u>752</u>	\$ <u>141,272</u>	\$ <u>142,024</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ 148,068	\$ (90,024)	\$ 58,044
<i>Fund Balance - Beginning of Year</i>	<u>120,763</u>	<u>90,024</u>	<u>210,787</u>
<i>Fund Balance - End of Year</i>	<u>\$ 268,831</u>	<u>\$ 0</u>	<u>\$ 268,831</u>

Chickasha School District No. I-001, Grady County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2017

	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 398,844	\$ 398,844	\$ 582,436	\$ 0	\$ 0	\$ 7,255
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	146	0	0	0
Federal Sources	0	0	0	0	0	12,711
Non-Revenue Receipts	0	0	28,050	0	0	8,989
<i>Total Revenue Collected</i>	<u>\$ 398,844</u>	<u>\$ 398,844</u>	<u>\$ 610,633</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,955</u>
Expenditures Paid:						
Instruction	\$ 0	\$ 0	\$ 66,323	\$ 0	\$ 0	\$ 0
Support Services	519,607	519,607	331,121	0	0	0
Operation of Non-Instructional Services	0	0	0	90,024	90,024	101,262
Facilities Acquisition and Construction	0	0	37,823	0	0	0
Other Outlays	0	0	28,050	0	0	158,989
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 519,607</u>	<u>\$ 519,607</u>	<u>\$ 463,317</u>	<u>\$ 90,024</u>	<u>\$ 90,024</u>	<u>\$ 260,251</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (120,763)</u>	<u>\$ (120,763)</u>	<u>\$ 147,316</u>	<u>\$ (90,024)</u>	<u>\$ (90,024)</u>	<u>\$ (231,296)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Estopped Warrants	\$ 0	\$ 0	\$ 752	\$ 0	\$ 0	\$ 11
Transfers In	0	0	0	0	0	141,961
Transfers Out	0	0	0	0	0	(700)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 752</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 141,272</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (120,763)</u>	<u>\$ (120,763)</u>	<u>\$ 148,068</u>	<u>\$ (90,024)</u>	<u>\$ (90,024)</u>	<u>\$ (90,024)</u>
<i>Fund Balance - Beginning of Year</i>	<u>120,763</u>	<u>120,763</u>	<u>120,763</u>	<u>90,024</u>	<u>90,024</u>	<u>90,024</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 268,831</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Chickasha School District No.1-001, Grady County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis -Trust & Agency Funds
June 30, 2017

<u>ASSETS</u>	Gift and Endowment Fund	Insurance Recovery Fund	School Activity Fund	Total
Cash	\$ 0	\$ 0	\$ 301,567	\$ 301,567
Investments	0	0	0	0
<i>Total Assets</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 301,567</u>	<u>\$ 301,567</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Due to Activity Groups	\$ 0	\$ 0	\$ 301,567	\$ 301,567
Reserved for Gift and Endowments	0	0	0	0
Reserved for Insurance Recovery Fund	0	0	0	0
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 301,567</u>	<u>\$ 301,567</u>
Fund Equity:				
Unassigned	\$	\$	\$	\$ 0
<i>Total Liabilities and Fund Equity</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 301,567</u>	<u>\$ 301,567</u>

Chickasha School District No.1-001, Grady County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Trust & Agency Funds
For the Year Ended June 30, 2017

ACTIVITIES	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ABE/GED	\$ 183	\$ 12,770	\$ 12,856	\$ 96
District Student Store	1,230	330	1,050	510
ALC Flower Fund	0	165	118	47
Archery In the Schools	8,551	7,184	15,348	387
Textbooks/Equipment	245	0	0	245
Flower Fund-Administration	81	0	51	30
Board of Education	5,665	2,749	1,968	6,446
Grand Elementary	12,044	27,622	25,121	14,545
Elementary Robotics	387	1,234	447	1,174
Lincoln Elementary	3,552	4,397	3,162	4,788
Trans./Maintenance	38	443	422	58
JOM Summer Program	3,659	5,789	3,263	6,186
Lincoln Robotics	432	0	0	432
Grand Daycare	14,553	56,947	47,249	24,252
Grand Library	76	3,538	2,085	1,529
Lincoln Journalism	1,743	1,968	1,552	2,159
Lincoln Find Arts	102	0	0	102
Lincoln Media Center	522	28	49	501
Lincoln Pictures/Vending	2,670	2,223	1,934	2,959
Middle School Office	1,568	1,041	1,452	1,157
MS Robotic	504	0	0	504
MS Counselor's Fund	439	50	274	214
MS Science Club	71	0	0	71
MS Enrichment Programs	300	0	0	300
MS F.C.C.L.A	1,558	1,786	2,778	566
MS Academic Programs	53	50	0	103
MS Art	375	121	30	466
MS Honor Society	955	2,140	2,464	630
Indust. Arts-AT/AE	2,608	127	0	2,734
MS Journalism	4,002	2,168	3,929	2,242
MS Pictures/Vending	4,496	1,715	2,998	3,213
Library	865	19	111	774
MS 7th Grade Class	354	0	0	354
MS student Council	1,434	288	369	1,352
MS Vocal Music	142	0	0	142
Early Childhood Center	8,137	33,133	30,430	10,840
Early Childhood Media Ctr	1,740	1,378	2,483	635
ECC Pictures	5,110	7,265	8,460	3,915
ECC Day Care	22,575	70,229	62,573	30,231
BW Memorial Fund	7	0	0	7
Grand Pictures	7,917	3,826	4,938	6,805
Grand Spirit Squad	62	6,531	4,917	1,676
Nurse Fund	233	0	0	233
High School Office	740	2,109	2,587	263
Robotics	3,030	28,512	21,893	9,649
Art Club	12	1,866	1,635	243
Sub-Total Activities	\$ 125,017	\$ 291,739	\$ 270,995	\$ 145,760

Exhibit A-5

Chickasha School District No.1-001, Grady County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Trust & Agency Funds
For the Year Ended June 30, 2017

ACTIVITIES	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Band	\$ 3,154	\$ 79,818	\$ 58,362	\$ 24,610
SPLC	0	213	0	213
Key Club	405	0	18	387
The Coop	160	0	140	20
Vending Machine	504	2,579	2,509	575
CHS Yearbook	2,792	10,943	6,448	7,287
Freshman Class	650	814	854	610
Junior Class	1,213	16,315	11,160	6,369
Sophomore Class	259	690	454	495
Senior Class	6,104	4,466	9,701	869
Drama	859	1,065	1,353	571
Drivers' Education	0	14,600	14,600	0
CHS Green Club	0	170	0	170
FFA	13,678	79,740	86,958	6,460
Jr. Optimist Club	454	495	214	735
Horticulture	3,198	7,073	8,166	2,105
HS Library	1,799	33	1,338	494
National Honor Society	509	1,337	999	847
Academic Club	303	1,663	1,381	585
Spanish Club	287	0	287	0
Special Olympics	6,500	0	0	6,500
Student Council	588	6,532	6,618	503
Vehicle Registration	761	1,640	2,277	124
Vocal Music	2,277	9,139	7,630	3,786
Jr./Sr. Prom	0	408	408	0
Basketball Boosters	1,934	2,574	1,463	3,045
Cross Country	0	839	839	0
Football	8,234	21,871	29,959	146
Basketball Boys	0	8,255	7,070	1,185
Basketball Girls	0	3,000	2,290	710
Swimming	0	1,000	934	66
Baseball	1,770	0	704	1,066
Softball	1,810	10,597	9,682	2,725
Wrestling	0	3,800	3,486	314
Soccer	0	3,836	3,836	(0)
Athletic Misc.	2,156	1,340	2,966	530
Carryover	7,493	40	7,496	37
Concessions	2,063	68,548	64,497	6,114
Pom Pom	67	10,612	10,634	45
Cheerleading	341	9,809	10,086	64
Volleyball	0	1,280	1,276	4
Athletics Gate	4,344	218,123	206,115	16,352
BJ Clack Scholarship Fund	55,117	19,185	15,212	59,091
Sub-Total Activities	\$ 131,783	\$ 624,442	\$ 600,419	\$ 155,807
 Total Actiivy Funds	 \$ 256,800	 \$ 916,181	 \$ 871,414	 \$ 301,567
 Insurance Recovery Fund	 \$ 165	 \$ 0	 \$ 165	 \$ 0
 Gift Fund	 \$ 2,561	 \$ 0	 \$ 2,561	 \$ 0
 Total All Fudiciary Fund Types	 \$ 259,526	 \$ 916,181	 \$ 874,140	 \$ 301,567

CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1, GRADY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2016	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2017	Indirect Costs Included In Federal Grant Expenditures
U.S. Department of Education							
<u>Passed Through Oklahoma State Department of Education:</u>							
Title I, Part A, Basic	84.010	511/786	(40,479)	653,874	689,252	(75,857)	5,736
Title I, Part D, Subpart 2, Delinquent	84.010	532	0	15,347	15,347	0	0
Title I Cluster			(40,479)	669,222	704,599	(75,856)	5,736
IDEA-B Flowthrough	84.027	621	(2,179)	487,212	485,033	0	0
IDEA-B Preschool	84.173	641	(5,067)	17,381	12,314	(0)	0
Special Education Cluster			(7,246)	504,593	497,347	0	0
Title II, Part A	84.367	541/786	(12,122)	177,338	165,216	0	0
Title II, Part B, Mathematics and Science Ptrship	84.366	542	0	12,315	20,942	(8,627)	0
Adult Basic Education	84.002	731	(62,503)	160,811	159,603	(61,295)	0
<u>Passed Through Oklahoma Department of Career Technology:</u>							
Cark Perkins	84.048	421	0	16,999	16,999	0	0
Total U.S. Department of Education			(122,350)	1,541,278	1,564,706	(145,778)	5,736
U.S. Department of Health and Human Services							
<u>Passed through Oklahoma Health Care Authority:</u>							
Medicaid Resources (Note4)	93.778	698	0	6,792	6,792	0	0
<u>Passed through Oklahoma Department of Human Services:</u>							
Temp Assist for Needy Family TANF (Note 3)	93.558	735	(4,250)	51,000	51,000	(4,250)	0
Total U.S. Department of Health and Human Services			(4,250)	57,792	57,792	(4,250)	0
U.S. Department of the Interior							
Johnson O'Malley (Note 5)	15.130	563	(9,443)	10,501	7,661	(6,603)	0
Total U.S. Department of the Interior			(9,443)	10,501	7,661	(6,603)	0
U.S. Department of Agriculture							
<u>Passed Through State Department of Education:</u>							
Breakfast Program	10.553	764	0	283,139	283,139	0	0
Lunch Program	10.555	763	0	709,980	709,980	0	0
ARRA Equipment Grant	10.579	767	100	0	100	0	0
Summer Food Service	10.559	766	(11,938)	11,938	11,938	0	0
Commodities Distributed-Lunch (Note 3)	10.565	N/A	0	64,245	64,245	0	0
Child Nutrition Cluster			(11,838)	1,069,302	1,069,402	0	0
Total U.S. Department of Agriculture			(11,838)	1,069,302	1,069,402	0	0
TOTAL FEDERAL ASSISTANCE			(147,881)	2,678,873	2,699,561	(156,631)	5,736

Chickasha ISD No. 001, Grady County
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the School, it is not intended and does not present the financial position, changes in net assets or cash flows of the School.

Note 2 – Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except for nonmonetary assistance noted in Note 3. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 – Food Distribution – Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 – The beginning balances were changed to match amount per OCAS.

Note 5 - The beginning receivable was adjusted to match what was received by the school.



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

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

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis, within the combined financial statements of **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated March 13, 2018. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Chickasha Independent School District #1**, Grady County, Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2017-001 through 2017-006).

Compliance and Other Matters

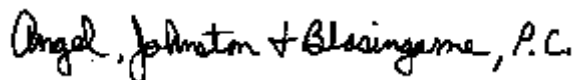
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

Chickasha Independent School District #1, Oklahoma's, Response to Findings

Chickasha Independent School District #1, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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



Chickasha, Oklahoma
March 13, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Chickasha Independent School District #I-1**, Grady County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Chickasha Independent School District, I-1** Grady County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, **Chickasha Independent School District #I-1**, Grady County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

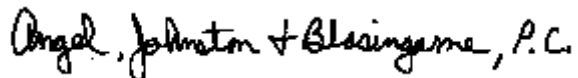
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chickasha, Oklahoma
March 13, 2018

Chickasha ISD No.1, Grady County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? No

Significant Deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards:

Type of auditor's report issued on compliance for major programs: Unmodified in conformity with the regulatory basis of accounting.

Internal Control Over Major Programs:

Material Weakness(es) identified? No

Significant Deficiencies identified not considered to be material weaknesses? No

Audit Findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)? No

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee Qualified as low-risk auditee? No

Identification of Major Programs:

CFDA#

10.553	Child Nutrition – Breakfast
10.555	Child Nutrition – Lunch
10.559	Child Nutrition – Summer Food Program
10.579	Child Nutrition - AARA Equipment Grant
10.565	Child Nutrition – Commodities Distributed
84.027, 84.173	IDEA-B Cluster

Chickasha ISD No. 1, Grady County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

Findings-Financial Statement Audit

2017-001 - Finding

Statement of Condition – We noted the following during our activity fund expenditure testing:

24 of the 44 purchase requisitions tested lacked the date the purchasing officer approved the order, 5 had invoices dated prior to receiving approval and 6 requisitions lacked the signature of the purchasing officer.

Criteria - Purchases cannot be made until the purchasing officer has approved the requisition. The purchasing officer should sign and date the requisition to show it was approved prior to an order being made.

Cause/Effect of Condition –Employees are not always following purchasing policy. Goods or services could be ordered that would not have been approved.

Recommendation – We recommend the purchasing officer sign and date the requisition and that the person receiving the goods or services sign the invoice verifying the goods or services were received.

2017-002 – Finding

Statement of Condition - Child Nutrition expenditures exceeded Budgeted Appropriations by \$170,926.60.

Criteria - Expenditures should not exceed available appropriations that have been approved by the county excise board.

Cause/Effect of Condition - The school was trying to close out the Child Nutrition Fund into the General Fund. The excess expenditures were caused when trying to dissolve the child nutrition fund and close out the bank accounts into the general fund. Prior to the time the child nutrition fund was ultimately closed out, money from the general fund was deposited into the child nutrition fund to pay back a prior year amount due. This money was not appropriated in the original budget, so when the final check to close out the child nutrition fund was issued there were no approved appropriations available. This unusual transaction caused confusion on how to accomplish getting the money out of the child nutrition fund and into the general fund.

Recommendation –A supplemental appropriation form should be approved and filed whenever expenditures exceed the original appropriations.

Chickasha ISD No. 1, Grady County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

2017-003 Finding

Statement of Condition - As noted in the prior year audit, the Superintendent's payroll contract allowed for the superintendent's families health insurance, approximately \$7,400. This amount was not added to the taxable wages reported on the W-2 form.

Criteria – We believe the IRS would require this additional amount to be included in the employee's gross taxable wages.

Cause/Effect of Condition – The school had not implemented this in fiscal year 2016-17. The taxable wages for this employee which were not included in his W-2 were around \$7,400.

Recommendation – This amount should be included in future W-2's.

2017-004 Finding

Statement of Condition – One employee is receiving a 7% retirement fringe, but the contract and the negotiated agreement state that the amount should only be 30% of the 7%.

Criteria - Amounts paid should be documented and approved in the contract.

Cause/Effect of Condition - The full 7% fringe was negotiated as part of the employee's salary, but was not reflected in the contract. Standard contracts are printed from MAS and this benefit is a change from the standard administrative employee. Employees could be paid incorrectly.

Recommendation – Contracts should be reviewed against payroll to make sure the correct amount is being paid.

2017-005 – Finding

Statement of Condition - During our testing of appropriated funds purchase orders, we noted 36 of 55 purchase orders lacked a signature from the encumbrance clerk. Seven (7) of the invoices were dated prior to having received approval for the purchase.

Criteria - Purchase orders must be approved by the purchasing officer and encumbrance clerk prior to goods and services being ordered. The purchase order should initiate the purchasing process. Also, the invoice or statement should be signed or initialed by the person receiving the good and or service to indicate the item or service had been received in good order.

Cause/Effect of Condition - Failure to follow purchasing policies. Failure to follow procedures might allow for the purchase of items that would not have been approved or for which there were no available appropriations.

Chickasha ISD No. 1, Grady County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

Recommendation - The school should ensure all employees are aware of the purchasing policy and that the encumbrance clerk is signing off on each purchase order. The encumbrance clerk's signature indicates that the school has available appropriations in order to make the purchase. Also, the purchase order should initiate the purchasing process.

2017-006 – Finding

Statement of Condition – During our review of payroll contracts for the 260 day employees, we noted a need for clarity in the language addressing the days that make up the 260 day contract. The contract states that the 260 days include work days, holidays and paid vacation as per the negotiated agreement. The negotiated agreement, per Article XXVII: Holidays, states that the Board will recognize the following holidays for full and part-time support employees. Labor Day (1), Thanksgiving (3), Christmas (3), New Year's Day (2), Easter/Good Friday (1), Memorial Day (1), Independence Day (1) and Martin Luther King (1). Total actual work days per the school's calendar are 234. Holidays per the negotiated agreement total 13 days. This gives a total of 247 days out of the 260 day contract. The other 13 days are additional days that the school offices are closed (e.g. Fall break, Thanksgiving break, Winter Break, Spring break). It has been interpreted by management that the additional 13 days in which the offices are closed are to be included to arrive at the 260 day contract amount. Management believes that the school board approves the school calendar each year and therefore also approves these additional days off to arrive at the 260 day contract total.

Criteria – Payroll contracts and the negotiated agreement should state clearly what days comprise the 260 day contract. If the additional 13 days for the various times the offices are to be closed is intended to make up the 260 day contract total, then this should be clearly stated in the contract or listed in the negotiated agreement.

Cause/Effect of Condition – The payroll contract, negotiated agreement and the board intent are not clear as they relate to the number of days that comprise the 260 day contract total. If the contract language and negotiated agreement language are different than the Board's intent, then there could be confusion and disagreements as to which days make up the 260 day contract total.

Recommendation - We recommend that the contract language and the negotiated agreement language accurately reflect the Board's intent as to what days specifically comprise the 260 day contract total.

Findings and Questioned Costs – Major Federal Award Programs Audit

(None Noted)

Chickasha ISD No. 1, Grady County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

2016-1 - Finding

Statement of Condition – During our encumbrance testing, we noted several purchase orders that had been correctly reserved out of fiscal year 2014-15. However, the actual payment was made from the 2015-16 fiscal year appropriations.

Criteria – Funds should be paid from the fiscal year from which they were reserved.

Cause/Effect of Condition – There was a new maintenance secretary that was not aware these invoices should be paid from the fiscal year 2014-15 appropriations. Fiscal year 2015-16 Building Fund expenditures will be overstated. The purchase orders reserved out of fiscal year 2014-15 were lapsed in fiscal year 2015-16.

Recommendation – The school should pay funds from the correct fiscal year appropriations.

Current Status – This was not noted during the 2016-17 audit.

2016-2 – Finding

Statement of Condition – During our testing of encumbrances, we noted several invoices that were dated for the 2015-16 fiscal year. The school, however, did not set up any reserves for the 2015-16 school year. The actual payments for these invoices were made from the 2016-17 fiscal year appropriations.

Criteria - Expenditures should be paid from the fiscal year in which the school obligates itself. The amounts that have been obligated, but not paid by June 30, 2016, should be set up as reserves in order to show the correct fund balance. Also, funds should be paid from the same fiscal year as they were reserved.

Cause/Effect of Condition - School failed to realize the need to set up reserves for funds that were obligated. Fund balance for the 2015-16 year was overstated, yet not materially, due to the school not issuing reserves.

Recommendation – Reserves should be set up at year end when the school obligates itself to pay for goods or services within that fiscal year.

Current Status – This was improved for the 2016-17 year.

2016-3 Finding

Statement of Condition - As noted in the prior year audit, the Superintendent's payroll contract allowed for the superintendent's families health insurance of \$6,725. This amount was not added to the taxable wages reported on the W-2 form.

Criteria – We believe the IRS would require this additional amount to be included in the employee's gross taxable wages.

Cause/Effect of Condition – The school had not implemented this in fiscal year 2015-16. The taxable wages for this employee not included in his W-2 were around \$6,725.

Recommendation – This amount should be included in future W-2's.

Current Status – This was not corrected and is a repeat comment for the 2016-17 year.

2016-4 Finding

Statement of Condition - One of the cooks noticed she was being paid at an incorrect rate during the year and told her supervisor. The supervisor agreed and informed the payroll staff that a mistake had been made so the payroll department made the necessary adjustments. The only documentation was an adjustment sheet. There was no signature of a supervisor or the employee on the adjustment sheet. The total adjustment was \$325.50.

Criteria - All payroll should be on a signed contract. Any adjustments should have board approval or at the very least signed authorization from a supervisor.

Cause/Effect of Condition - Employees did not know that all adjustments should be documented by board approval or authorization from a supervisor. Employees could be paid for amounts not authorized.

Recommendation - We recommend any adjustments to pay be documented by board approval or signed authorization from the supervisor.

Current Status – This was not noted for the 2016-17 year.

2016-5 Finding

Statement of Condition – During our testing of payroll contract, we noted a contract where the employee was underpaid by one step. The underpayment was \$232.24. Also, the pay categories on the contract did not add correctly.

Criteria – Teachers should be paid according to the pay scale approved by the board of education based on the number of years of service.

Cause/Effect of Condition – This was just an oversight. The employee was underpaid.

Recommendation - The board of education should decide how to handle this underpayment.

Current Status – This was not noted during the 2016-17 year.

2016-6 Finding

Statement of Condition –During our review of Activity Fund Purchase orders we noted the following deficiencies -

1. 19 requisitions were not detailed enough to compare items purchased to items requested.
2. 26 requisitions were not dated by the Purchasing Officer.
3. 8 Purchase orders were approved after the invoice was issued by the vendor.
4. Dwight Yokum's last day was 10-30-15, However, all checks issued in November were signed using his signature stamp.

Criteria -School employees are required to follow purchasing requirements. All requisitions should be detailed in order to review against actual purchases made, requisitions should be signed and dated by purchasing officer to verify purchases were made after requisition was approved. All purchases must be approved prior to goods/services being purchased. When a signor leaves, the school cannot continue to use the signature stamp.

Cause/Effect of Condition - Sponsors were not following purchasing requirements. The school continued to use Mr. Yokum's signature stamp because the new signor did not have a stamp yet and did not want to manually sign checks. Unallowed purchases could be made if procedures are not followed.

Recommendation – Sponsors should follow all purchasing procedures.

Current Status – These were much improved for the 2016-17 year.

2016-6 Finding

Statement of Condition - 1. The MS FCCLA - Fundraisers are not being properly identified in order to determine profit for each. Not all deposits were being made timely. One deposit was 5 days after the date the receipts were issued. One deposit was 2 months after the date on the receipts.

2. Band - Not all deposits were being made timely. One was 6 days after receipts were issued.
3. FFA - Not all deposits were being made timely. One was 4 days after the date the receipts were issued.

Criteria - Sponsors should prepare a reconciliation of each fundraiser to determine profitability and to ensure all revenue is properly coded. Deposits should be made on a daily basis if collections exceed \$100, or weekly if they are under \$100.

Cause/Effect of Condition - Sponsors held money longer than allowed. This increases the risk of theft or misplacement of collections. Failure to perform reconciliations for a fundraiser could cause the sponsor to be unaware a fundraiser isn't profitable or that money is missing.

Recommendation - Make sure all deposits are separated by the types of revenue, deposited timely and that fundraiser reconciliations are done for all fundraisers.

Current Status – This was corrected for the 2016-17 year.

2016-7 Finding

Statement of Condition - During our testing of expenditures, we noted several instances where the purchase order did not initiate the purchasing process.

Criteria - Oklahoma State statutes require a purchase order be approved prior to purchasing goods or services.

Cause/Effect of Condition - Internal control procedures are not being followed. Goods and services could be purchased that were not authorized. If the school's budget is tight, it could cause the school to overspend their appropriations.

Recommendation - All purchases of goods or services should be initiated by the completion and approval of the purchase order.

Current Status – This was much improved for the 2016-17 year.

2016-8 Finding

Statement of Condition - The school lacks sufficient collateral pledged at First National Bank and Trust to cover all funds in its accounts. The balance of the accounts held at First National Bank on 6-30-16 was \$4.480 million. The balance of collateral plus FDIC coverage was \$3.122 million, a shortage of \$1.357 million.

Criteria - The school is required to maintain sufficient collateral pledged to cover all funds in the bank over the FDIC \$250,000 allowance.

Cause/Effect of Condition – The school was not aware they were underfunded. The school would not be protected and could lose a portion of their funds if the bank were to fail.

Recommendation – Collateral pledged should be monitored monthly to ensure the amount pledged is enough to cover the amount in the bank at any given time.

Current Status – This was corrected for the 2016-17 year.

2016-9 Finding

Statement of Condition – The treasurer was only covered under the school's surety bond for \$75,000.

Criteria – Oklahoma Statutes require the treasurer to be insured for at least \$100,000.

Cause/Effect of Condition – The School was not aware they did not have enough coverage for the treasurer. If there was fraud, the school would only be covered up to the amount of coverage on the surety bond.

Recommendation - Surety bond coverage on the treasurer should be increased to \$100,000.

Current Status – This was corrected during the 2016-17 year.

Findings and Questioned Costs – Major Federal Award Programs Audit

2016-10 Finding – National School Lunch Program CFDA10.553,10.555,10.579,10.559 Grant Period Year Ending June 30, 2016.

Statement of Condition – During our analysis and testing of free/reduced lunch claims for reimbursements, it appears the claims for fiscal year 2015-16 were prepared incorrectly. The school had overstated the number of full pay students claimed, but understated the number of free students claimed.

Criteria – Accurate records are to be kept, as well as, accurate claims filed for free, reduced and full paid students who eat in the school's cafeterias. The school receives reimbursements from the State Department of Education based upon the meals served.

Cause of Condition - This error occurred because the child nutrition person filed the reimbursement reports including all the students in PK-8th grade as either free, reduced or full pay. For fiscal year 15-16, the school had switched to a direct certification program for all students in grades PK-8th grades, thus all students in these grade levels should have been included in the free category. By not claiming these students under the free category, the amount of reimbursement which should have been received was under collected by approximately \$90,000. The reimbursement rate from the State Department of Education for a free student is \$3.09 per student, whereas a full paid student is only reimbursed at a rate of .31 per student.

Recommendation - School personnel need to review the lunch meal claims for reimbursement closely to ensure they are being filed correctly. It did appear the fiscal year 2016-17 year claims were being filed correctly.

Current Status – This was not an issue for the 2016-17 year.

2016-11 Finding National School Lunch Program CFDA 10.553,10.555,10.579,10.559 Grant Peirod Year Ending June 30, 2016.

Statement of Condition - The income verification process was not performed for the high school free and reduced lunch applications.

Criteria -According to National School Lunch requirements, a school is required to perform a verification process of income determination for free and reduced lunch applications. The school is required to select a sample of free and reduced lunch applications and request supporting documentation from the family in order to verify the income level claimed on the a original application.

Cause/Effect of Condition - For the fiscal year 15-16, the school had switched to a direct certification program for all students in PK-8th grades. Therefore, income verification was not required. However, the high school was not under the direct certification program and therefore verification procedures should have been performed. The school was not able to determine if the verification process was performed. They could not locate the records to document this process and the prior year child nutrition director no longer works at the school. By not performing the verification procedures, a child could be claimed as a free or reduced status but did not qualify for this status under the income eligibility guidelines. This could lead to the school being over reimbursed by the State Department of Education.

Recommendation -The school should review and perform the income verification process as required by the National School Lunch program.

Current Status – This was corrected for the 2016-17 year.

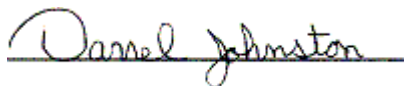
OTHER INFORMATION

Chickasha ISD No. 1, Grady County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2017

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 2016-17.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2018.

Notary Public

My Commission Expires 07-01-18

SCHOOL'S CORRECTIVE ACTION PLAN

**Chickasha Public School District
Grady County**

26-1001

Audit Finding Corrective Action Plan FY17

Finding #1: The following were noted during Activity Fund Expenditure Testing:

- 24 of the 44 purchase requisitions tested lacked the date the purchasing officer approved the order.
- 5 had invoices dated prior to receiving approval
- 6 requisitions lacked the signature of the purchasing officer

Corrective steps implemented by the district:

- The district met with the Activity Fund Custodians and reviewed the proper steps for completing legal expenditures
- Requisitions will be reviewed at the time of submission to ensure that all dates and signatures are present and accurate.

Completion Date: Ongoing

Plan for Monitoring Adherence to the Plan: The district will conduct self audits of activity requisitions throughout the year and provide corrective action for those not complying with these purchasing procedures.

Finding #2: Child Nutrition expenditures exceeded Budgeted Appropriations by \$170,926.60

Corrective steps implemented by the district: This was done in an attempt to close out the child nutrition account and move child nutrition into the General Fund. In the future the district will complete the proper supplemental appropriation form when expenditures will exceed the original appropriations.

Completion Date: As needed

Plan for Monitoring Adherence to the Plan: It will be monitored as needed.

Finding #3: As noted in prior year audit, the Superintendent's payroll contract allowed for the superintendent's families health insurance to be paid, approximately \$7400. This amount was not added to the taxable wages reported on the W-2 form.

Corrective steps implemented by the district: The information from this report wasn't presented until March after the W2 was completed. A note was made to correct this in upcoming years.

Completion Date:

Plan for Monitoring Adherence to the Plan: Completed

Finding #4: One employee is receiving a 7% retirement fringe, but the contract and the negotiated agreement state that the amount should only be 30% of the 7%.

Corrective steps implemented by the district: The information from this report wasn't presented until March after this contract was completed. A note was made to correct this in upcoming contract/negotiations for future years.

Completion Date: FY19

Plan for Monitoring Adherence to the Plan:

Finding #5: During our testing of appropriated funds purchase orders, we noted that 36 of 55 purchase orders lacked a signature from the encumbrance clerk. Seven of the invoices were dated prior to having received approval for the purchase.

Corrective steps implemented by the district: The district met with the encumbrance clerk and stressed the importance of her signature on the purchase orders. We also reviewed the proper purchasing procedures, and switched to an electronic purchase requisition system.

Completion Date: Ongoing

Plan for Monitoring Adherence to the Plan: The district will conduct self audits of purchase requisitions throughout the year and provide corrective action for those not complying with these purchasing procedures.

Finding #6: During our review of payroll contracts for the 260 day employees, we noted a need for clarity in the language addressing the days that make up the 260 day contract. The contract states that the 260 days include work days, holidays, and paid vacation as per the negotiated agreement. The negotiated agreement, per article XXVII: Holidays, states that the Board will recognize the following holidays for full and part-time support employees. Labor Day (1), Thanksgiving (3), Christmas (3), New Year's Day (2), Easter/Good Friday (1), Memorial Day (1), Independence Day (1), and Martin Luther King Day (1). Total actual work days per the school's calendar are 234. Holidays per the negotiated agreement total 13 days. This gives a total of 247 days out of the 260 day contract. The other 13 days are additional days that the school offices are closed. It has been interpreted by management that the additional 13 days in which the offices are closed are to be included to arrive at the 260 day contract amount. Management believes that the school board approves the school calendar each year and therefore also approves these additional days off to arrive at the 260 day contract total.

Corrective steps implemented by the district: The information from this report wasn't presented until March after this contract wasn't completed. A note was made to correct this in upcoming contract/negotiations for future years.

Completion Date: FY19

Plan for Monitoring Adherence to the Plan:

Signature:



Date:

3/27/18