

CHICKASHA ISD #1, GRADY COUNTY
JUNE 30, 2011

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JUNE 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

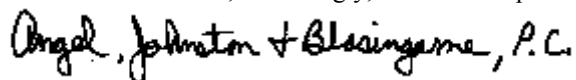
In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph and because the financial statements do not include financial data for its legally separate component unit, the primary government financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the reporting entity of **Chickasha Independent School District #1**, Grady County, Oklahoma, as of June 30, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the primary government of the **Chickasha School District, No 1**, Grady County, Oklahoma as of June 30, 2011, and the respective changes in financial position thereof and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1. C.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

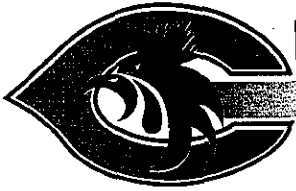
Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise **Chickasha Independent School District #1**, Grady County, Oklahoma, primary government taken as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the combined financial statements of the primary government. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the primary government financial statements of **Chickasha Independent School District #1**, Grady County, Oklahoma. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the primary government taken as a whole on the regulatory basis of accounting described in Note 1. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Chickasha, Oklahoma
February 6, 2012

Required Supplementary Information

- Management Discussion and Analysis



CHICKASHA

PUBLIC SCHOOLS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Chickasha Public School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The School's General Fund net assets changed from \$526,696 to \$1,248,717. This was an increase of \$722,021 for the year.
- Revenue collections for the year in the General Fund were up 2.50% while expenditures decreased 2.98%.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the school's annual report.

Report Components

This annual report consists of five parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole and present a longer-term view of the School's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the School government. Fund financial statements also report the School's operations in more detail than the government-wide statements by providing information about the School's most significant funds. These statements tell how these services were financed in the short term as well as what remains for future spending.

Home of the Fightin' Chicks

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

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

Other Supplementary Information: This part of the annual report includes optional financial information such as combining statements for non-major funds (which are added together and shown in the fund financial statements in a single column) and a schedule of federal awards. This other supplemental financial information is provided to address certain specific needs of various users of the School’s annual report.

Basis of Accounting

The School is required to present its financial statements on a regulatory basis of accounting. This regulatory basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the School’s regulatory basis of accounting, revenues are recorded when they are received and expenses and related assets and liabilities are recorded when they are encumbered, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this regulatory basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) are not recorded in these financial statements. Also, certain liabilities and their related expenses are recorded when the school becomes legally obligated (when an item is contracted for or ordered) not when they are received. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of this regulatory basis of accounting.

THE SCHOOL AS A WHOLE

Below is a brief summary of the school's financial data for the years ended June 30, 2011 and 2010.

Net Assets

The School's combined net assets (regulatory basis) were \$18,582,613 on June 30, 2011 versus \$17,302,306 on June 30, 2010.

	Governmental Activities <u>June 30, 2011</u>	Governmental Activities <u>June 30, 2010</u>
Cash and cash equivalents	\$ 2,986,774	\$ 3,360,083
Investments	400,000	0
Capital assets	<u>20,818,922</u>	<u>17,622,917</u>
Total Assets	24,205,696	20,983,000
Long-term debt outstanding	4,255,000	2,105,000
Other liabilities	<u>1,368,082</u>	<u>1,575,694</u>
Total Liabilities	5,623,082	3,680,694
Net Assets		
Invested in capital assets, net of related debt	16,563,922	15,517,917
Restricted	155,577	82,765
Unrestricted	<u>1,863,114</u>	<u>1,701,624</u>
Total Net Assets	<u>\$ 18,582,613</u>	<u>\$ 17,302,306</u>

Changes in Net Assets

For the years ended June 30, 2011 and 2010, net assets of the School (resulting from regulatory basis transactions) changed as follows:

	Governmental Activities <u>FYE 6-30-11</u>	Governmental Activities <u>FYE 6-30-10</u>
Revenues		
Program revenues		
Charges for services	\$ 398,540	\$ 342,142
Operating grants and contributions	5,403,309	5,365,806
General revenues		
Property taxes, levied for general purposes	2,734,653	2,691,251
Property taxes, levied for debt service	1,917,015	1,857,283
State aid – foundation and salary incentive	7,067,186	6,734,438
Other general revenues	<u>3,523,914</u>	<u>4,480,433</u>
Total Revenues	\$ 21,044,617	\$ 21,471,353

Expenditures		
Instruction	\$ 10,915,538	\$ 11,252,855
Support services	7,140,360	7,174,858
Operation of non-instructional services	1,424,817	1,457,905
Facilities acquisition and construction (amounts not capitalized)	194,911	497,791
Other outlays	0	458,530
Other uses	27,022	34,319
Interest on long-term debt	<u>61,663</u>	<u>202,675</u>
Total Expenditures	\$ 19,764,311	\$ 21,078,933
Increase in Net Assets	\$ 1,280,307	\$ 392,420

GOVERNMENTAL ACTIVITIES

The General Fund saw an increase from current ad valorem collections, rentals, donations, Child Nutrition reimbursements, Flex Benefits, Gross Production Tax, State Aid and School Land Earnings. Decreases in the General Fund revenue occurred in Mortgage Tax and Activity Fund reimbursements. The Building Fund increased its savings by over collecting in current ad valorem collections and miscellaneous revenue. Child Nutrition saw an increase, based on the higher collections in Federal Reimbursable Lunches and a decrease in expenditures.

The School saw an increase in interest earnings.

The decreases in General Fund expenditures from the 2010 to 2011 school year were \$516,262. The School saw decreases in instructional salaries, negotiations, grounds, office and library budgets, technology, speech pathology, security services, physical and occupational therapy, Safe and Drug Free Schools, ARRA funds and Federal Library Grant.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund needed no additional supplemental appropriations. The School was able to operate within the parameters set by the original Estimate of Needs.

CHILD NUTRITION FUND BUDGETARY HIGHLIGHTS

The Child Nutrition fund needed one additional supplemental appropriation for \$106,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the 2011 school year the School had \$20.8 million invested in a broad range of capital assets (net of depreciation), including technology, fleet and facilities. This includes \$3,327,376 added during the year.

The School currently has outstanding Bond debt of \$4,255,000. This includes bonds passed in 2006 and 2010.

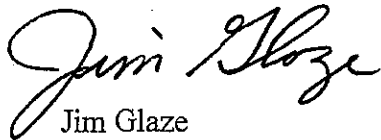
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School considered many factors when projecting the 2012 budget. Knowing that there would be cuts in State Aid funding and the loss of ARRA funds the District prepared a plan of cutting expenditures as a way of creating a carryover that would help the District maintain a healthy carryover.

Plans were put into place to do a Reduction In Force of three building administrators. In addition, certain temporary positions and positions created by retirements and resignations were not filled. The District also made cuts in site budgets and to the maintenance department.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance's Office at the Board of Education, 900 W Choctaw, Chickasha, Oklahoma.



Jim Glaze
Superintendent of Schools

Basic Financial Statements

- Statement of Net Assets – Primary Government- Regulatory Basis
- Statement of Activities – Primary Government - Regulatory Basis
- Balance Sheet – Primary Government - Regulatory Basis - Governmental Funds
- Statement of Revenues, Expenditures and Changes in Fund Balances – Primary Government - Regulatory Basis - Governmental Funds
- Notes to the Basic Financial Statements

Chickasha ISD No. 1, Grady County
Statement of Net Assets-Regulatory Basis
For the Year Ending June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,986,774
Investments	400,000
Capital assets, net of accumulated depreciation	<u>20,818,922</u>
Total Assets	<u>\$ 24,205,696</u>
 Liabilities	
Warrants payable	\$ 1,236,516
Encumbrances payable	131,566
Long-term liabilities:	
Due within one year	1,925,000
Due in more than one year	<u>2,330,000</u>
Total Liabilities	<u>\$ 5,623,082</u>
 Net Assets	
Invested in capital assets, net of related debt	\$ 16,563,922
Restricted for:	
Debt service	60,708
Capital projects	94,869
Unrestricted	<u>1,863,114</u>
Total Net Assets	<u><u>\$ 18,582,613</u></u>

See accompanying notes to the basic financial statements.

Chickasha ISD No. 1, Grady County
Statement of Activities-Regulatory Basis
For the Year Ending June 30, 2011

Function/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 10,915,538	\$ 0	\$ 3,542,108	\$ 0	\$ (7,373,430)
Support services	7,140,360	0	1,202,842	0	(5,937,518)
Operation of non-instructional services	1,424,817	398,540	658,359	0	(367,918)
Facilities acquisition and construction (amounts not capitalized)	194,911	0	0	0	(194,911)
Other outlays	0	0		0	0
Other uses	27,022	0	0	0	(27,022)
Unallocated Depreciation	0	0	0	0	0
Interest on long-term debt	61,663	0	0	0	(61,663)
Total governmental activities	\$ 19,764,311	\$ 398,540	\$ 5,403,309	\$ 0	\$ (13,962,462)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					2,734,653
Property taxes, levied for debt service					1,917,015
State aid - foundation and salary incentive					7,067,186
Other general revenues					<u>3,523,914</u>
Change in net assets					1,280,307
Net assets - beginning					<u>17,302,306</u>
Net assets - ending					<u>\$ 18,582,613</u>

See accompanying notes to the basic financial statements.

Chickasha ISD No. 1, Grady County
Balance Sheet-Regulatory Basis-Governmental Funds
For the Year Ending June 30, 2011

ASSETS	General Fund	Activity Fund	Sinking Fund	2010 Combined Purpose Bond Fund	Other Governmental Funds	Total Governmental Funds June 30, 2011
Cash and cash equivalents	\$ 2,173,705	252,000	\$ 60,708	\$ 2,708	\$ 497,653	\$ 2,986,774
Investments	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>400,000</u>
Total Assets	<u>\$ 2,573,705</u>	<u>252,000</u>	<u>\$ 60,708</u>	<u>\$ 2,708</u>	<u>\$ 497,653</u>	<u>\$ 3,386,774</u>

LIABILITIES AND FUND BALANCE

Liabilities:						
Warrants payable	\$ 1,224,446	0	\$ 0	\$ 1,193	\$ 10,877	\$ 1,236,516
Encumbrances payable	<u>100,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,024</u>	<u>131,566</u>
Total Liabilities	<u>\$ 1,324,988</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 1,193</u>	<u>\$ 41,901</u>	<u>\$ 1,368,082</u>

Fund balances:						
Restricted for:						
Retirement of long-term debt	\$ 0	0	\$ 60,708	\$ 0	\$ 0	\$ 60,708
Unreserved	1,248,717	252,000	0	1,515	0	1,502,232
Unreserved, reported in nonmajor funds:						
Special revenue funds	0	0	0	0	360,883	360,883
Capital project funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,869</u>	<u>94,869</u>
Total fund balances	<u>\$ 1,248,717</u>	<u>252,000</u>	<u>\$ 60,708</u>	<u>\$ 1,515</u>	<u>\$ 455,752</u>	<u>\$ 2,018,691</u>
Total liabilities and fund balances	<u>\$ 2,573,705</u>	<u>252,000</u>	<u>\$ 60,708</u>	<u>\$ 2,708</u>	<u>\$ 497,653</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$32,937,296, net of accumulated depreciation of \$12,118,374, are not financial resources and, therefore, are not reported in the funds.	20,818,922
Long-term debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,255,000)</u>
Net assets of governmental activities	<u>\$ 18,582,613</u>

See accompanying notes to the basic financial statements.

Chickasha ISD No. 1, Grady County
Statement of Revenues, Expenditures and Changes in Fund Balances-Regulatory Basis-Governmental Funds
For the Year Ending June 30, 2011

	General Fund	Activity Fund	Sinking Fund	2010 Building Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 2,544,328	\$ 753,921	\$ 1,917,015	\$ 0	\$ 657,196	\$ 5,872,461
Intermediate sources	366,463	0	0	0	0	366,463
State sources	10,997,797	0	0	0	12,787	11,010,584
Federal sources	2,984,756	0	0	0	664,391	3,649,147
Reimbursements	23,752	0	601	0	42,308	66,661
Investment income		0	3,264	664	2,011	5,939
Prior Year Lapsed Approp/Estopped Wts	43,270	0	0		30,094	73,365
Total Revenue	\$ 16,960,367	\$ 753,921	\$ 1,920,880	\$ 664	\$ 1,408,787	\$ 21,044,619
Expenditures						
Current:						
Instruction	\$ 9,710,974	\$ 370,475	\$ 0	\$ 0	\$ 24,647	\$ 10,106,096
Support services	6,384,236	96,178	0	31,333	540,951	7,052,698
Operation of non-instructional services	714,684	174,079	0	0	519,604	1,408,367
Other outlays	0	0	0	0	0	0
Other uses	0	27,022	0	0	0	27,022
Capital Outlay:						
Facilities acquisition and construction	0	0	0	2,509,350	1,795,122	4,304,472
Debt Service:						
Principal Retirement	0	0	1,855,000	0	0	1,855,000
Interest and Fiscal Agent Fees	0	0	61,663	0	0	61,663
Total Expenditures	\$ 16,809,894	\$ 667,754	\$ 1,916,663	\$ 2,540,683	\$ 2,880,324	\$ 24,815,317
Excess (deficiency) of revenues over expenditures	\$ 150,473	\$ 86,167	\$ 4,218	\$ (2,540,019)	\$ (1,471,537)	\$ (3,770,698)
Other Financing Sources (Uses)						
Bond proceeds	\$ 0	0	0	2,540,000	1,465,000	4,005,000
Transfers In	571,808	350,313	0	0	700	922,821
Transfers Out	(261)	(453,424)	0	0	(469,136)	(922,821)
Total Other Financing Sources (Uses)	\$ 571,547	\$ (103,111)	\$ 0	\$ 2,540,000	\$ 996,564	\$ 4,005,000
Net change in fund balances	\$ 722,021	\$ (16,944)	\$ 4,218	\$ (19)	\$ (474,973)	\$ 234,302
Fund Balance - Beginning of Year	526,696	268,944	56,491	1,533	930,725	1,784,388
Fund Balance - End of Year	<u>\$ 1,248,717</u>	<u>\$ 252,000</u>	<u>\$ 60,708</u>	<u>\$ 1,514</u>	<u>\$ 455,752</u>	<u>\$ 2,018,691</u>

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 234,302

Amounts reported for governmental activities in the Statement of Activities are different because:

-Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term debt in the Statement of Net Assets.	1,855,000
-Issuance of new capital debt obligations is recorded as bond proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets.	(4,005,000)
-Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The amount which capital outlays exceeds depreciation for the year is:	
Capital outlays which were capitalized	\$ 4,167,871
Depreciation expense	<u>(971,866)</u>
Change in Net Assets of Governmental Activities	<u>3,196,005</u>
	<u>\$ 1,280,307</u>

See accompanying notes to the basic financial statements.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Chickasha Independent School District No. 1 (the "District") have been prepared in conformity with another comprehensive basis of accounting permitted by Oklahoma Department of Education regulations – Option 2. The more significant of the District's accounting policies are described below.

1.A. Financial 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 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 conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

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

1.B. Basis of Presentation

The District prepares its financial statements in a presentation format that is, in substance, the format established by GASB Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis – for State and Local Governments.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

1.B. Basis of Presentation (continued)

Government-Wide Financial Statements

The Statement of Net Assets-Regulatory Basis and Statement of Activities-Regulatory Basis display information about the reporting government as a whole. They include all funds of the District. All activities of the District are considered governmental activities. Governmental activities are primarily financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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.

Fund financial statements of the district are organized into funds. Each fund is considered to be a separate accounting entity with a self-balancing set of accounts. Funds are normally organized into three broad categories: governmental, proprietary and fiduciary. All funds of the District are considered to fall within the governmental category (the district presently has no proprietary or fiduciary types). An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category.
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. However since the District has only governmental funds, this criteria did not apply.

Based upon the above criteria, the major funds consist of the General Fund, Activity Fund, Sinking Fund, and the 2004 Combined Purpose Bond Fund. All other funds were considered to be non-major.

Governmental Funds

The governmental funds of the District are described below:

- 1. General Fund** - The General Fund is the primary operating fund of the District and is always a major fund. It 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.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

1.B. Basis of Presentation (continued)

2. Special Revenue Funds - The special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. The District includes the following special revenue funds:

Building Fund - The Building Fund consists of monies derived from the proceeds of a building fund tax levy not to exceed (5) mills in any year and may be used for erecting, remodeling, or repairing school buildings; for purchasing furniture and equipment; for paying utility costs; for purchasing telecommunications services; for paying fire and casualty insurance premiums for school facilities; for purchasing security systems; and for paying salaries of security personnel.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meal 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.

School Activities Fund - The School Activities Fund 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. It also includes the B J Clack Memorial Scholarship accounts. Any principal received will be awarded to two worthy high school students at graduation ceremonies each May. It is to be expended on tuition and college books. Future awarding depends upon graduates maintaining certain requirements.

Pro Wm L Williams Scholarship Fund - The Pro Wm L Williams Scholarship is a nonexpendable trust. The principal may not be expended but the annual interest may be awarded to a local student based upon a science project. However due to the relatively small size of the fund, it is included as a special revenue fund.

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, educational supplies and equipment as allowed by law.

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 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 2004, 2006, 2008, and 2010 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 existing facilities and acquiring transportation equipment.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, the “*economic resources*” measurement focus is used. The accounting objectives of this measurement focus are the determination of operating income and changes in net assets. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

In the fund financial statements, the “*current financial resources*” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a period. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

Basis of Accounting

As a basis of accounting, the basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the ODOE as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Warrants payable are recorded as liabilities when issued.
- Investments and inventories are recorded as assets when purchased and reduced when used.
- Capital assets in proprietary funds and those reported in the government-wide statements are recorded when acquired and depreciated over their useful lives.
- Long-term debt in proprietary funds and those reported in the government-wide statements are 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 (modified accrual basis) for governmental fund types; and when revenues are earned and liabilities are incurred (accrual basis) 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.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

1.D. Budgets and Budgetary Accounting

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, (under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund), is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - The District considers all cash on hand, demand deposit accounts, interest bearing checking accounts, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies; certificate of deposits with an original maturity date of more than three months; and warrants, bonds or judgments of the District. These investments are recorded at cost, which approximates market value.

Accounts Receivable - As a result of the use of the regulatory basis of accounting, accounts receivable are not reported in the financial statements.

Inventories - As a result of the use of the regulatory basis of accounting, consumable materials and supplies are recorded as expenditures at the time they are encumbered not when they are used. Thus, an inventory amount has not been presented.

Capital Assets - The accounting treatment over property, plant and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	25-40 years
- Improvements	7-40 years
- Machinery and Equipment	7-25 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Warrants Payable - Warrants are issued to pay the obligations of the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

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

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

Encumbrances Payable - Encumbrances represent commitments related to unperformed contracts for goods and services for which a warrant has not been issued. As a result of the use of the regulatory basis of accounting, these commitments are recognized as an expenditure at the time of the commitment.

Long-Term Liabilities (Debt) - All long-term debt arising from cash transactions to be repaid from governmental resources are reported as liabilities in the government-wide statements. In the fund financial statements, the debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. Presently, the long-term debt consists of general obligation bonds payable.

Compensated Absences - As a result of the use of the regulatory basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures related to compensated absences are recorded when paid. The amount of vested accumulated rights to receive sick pay benefits, (not contingent upon being sick), and vacation pay benefits vary depending if the employee is certified or support staff and whether the employee is on a ten month or twelve month contract. The amount of accrued compensated absences is recorded as a commitment in Note 9.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) law through constitutional provisions or enabling legislation, or 2) external groups such as creditors, grantors, contributors or laws and regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Governmental fund equity is classified as fund balance.

1.F. Revenue and Expenditures

Statement of Activities

Program revenues - Revenues that are derived from each activity or from parties outside the District for a specific purpose are reported as program revenues. These revenues include state, federal or private and charges for services such as meal collections in the child nutrition program. In the Statement of Activities, expenditures are reduced by the program revenue to show the amount of expenditures that are paid from general revenues.

Property taxes, levied for general purposes - The District receives a 35 mill property tax levy which is placed into the General Fund and a 5 mill property tax levy which is placed into the Building Fund.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

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

1.F. Revenue and Expenditures, (continued)

Property taxes, levied for debt service - The District receives a property tax levy which is recalculated each year to provide sufficient funding to meet long-term debt obligations as they become due.

State aid - foundation and salary incentive - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

Other general revenues - Revenues not allocated to other categories are reported here.

Statement of Revenues, Expenditures and Changes in Fund Balances

Revenues

Local Sources - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Sources - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

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.

In addition to foundation and salary incentive aid, 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 and require that the money not expended as of the close of the 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.

Federal Sources - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

Investment income - Revenues derived from the investment of District monies are reported here.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

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

1.F. Revenue and Expenditures (continued)

Expenditures

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services Expenditures - This expenditure category consists of activities which provide non-instructional services to students, staff or the community. These activities include operation of the school lunch program.

Facilities Acquisition and Construction Expenditures - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

Other Uses - This category is for includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e. foundations). Also included are expenditures for self-funded employee benefit programs administered by the district, or a third party.

Debt Service - This category is for the servicing of the debt of the District including payments of principal and interest.

Other Financing Sources (Uses)

Bond Proceeds - Monies received from the sale of bonds is placed into this category

Transfers - Sales or purchases of goods and services between funds are accounted for as revenues and expenditures. All other interfund transactions, are reported as transfers. These transfers are eliminated in the government-wide financial statements.

1.G. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis required by the Oklahoma State Board 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.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2011:

		<u>Carrying Value</u>
Deposits		
Demand Deposits	\$	3,003,657
Time Deposits		<u>400,000</u>
Total Deposits	\$	<u><u>3,403,657</u></u>
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ <u>0</u>
Total Investments		\$ <u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	3,386,774
Activity Fund Outstanding Checks		<u>16,883</u>
Total Deposits and Investments	\$	<u><u>3,403,657</u></u>

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

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

At June 30, 2011, the District did not have enough collateral pledged to cover the balances in the bank. They were short by \$656,006.

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.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

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

The district had no investment credit risk as of June 30, 2011, as defined above.

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

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

At June 30, 2011, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

General long-term debt of the District consists of bonds payable. 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. 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, 2011.

	Bonds Payable
Balance July 1, 2010	2,105,000
Additions	4,005,000
Retirements	-1,855,000
Balance, June 30, 2011	4,255,000

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

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

A brief description of the outstanding general obligation bond issues at June 30, 2010 is set forth below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2010 Combined Purpose Bonds	1.65 to 1.75%	July 1, 2013	\$ 4,005,000	\$ 4,005,000
2006 Building Bonds Series B	3.9 to 4.05%	July 1, 2016	<u>450,000</u>	<u>250,000</u>
Totals			<u>\$ 4,455,000</u>	<u>\$ 4,255,000</u>

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>
2006 Building Bond Series B				
2011-12	\$	0	0	0
2012-13		50,000	10,025	60,025
2013-14		50,000	8,025	58,025
2014-15		50,000	6,025	56,025
2015-16		50,000	4,025	54,025
2016-17		50,000	2,025	52,025
Sub Total	\$	<u>250,000</u>	<u>\$ 30,125</u>	<u>\$ 280,125</u>
2010 Combined Purpose Bond				
2011-12	\$	0	0	0
2012-13		1,875,000	135,915	2,010,915
2013-14		2,130,000	35,145	2,165,145
Sub Total	\$	<u>4,005,000</u>	<u>\$ 171,060</u>	<u>\$ 4,176,060</u>
Total Bonds	\$	<u>4,255,000</u>	<u>\$ 201,185</u>	<u>\$ 4,456,185</u>

Interest expense on bonds payable incurred during the current year totaled \$61,663.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 4 - Capital Assets

Capital asset activity resulting from regulatory basis transactions for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 441,774	\$ 163,602	\$ 0	\$ 605,376
Assets No Longer in Use	0	0	0	0
Construction in Progress	0	0	0	0
Total Capital 'assets not Being Depreciated	<u>\$ 441,774</u>	<u>\$ 163,602</u>	<u>\$ 0</u>	<u>\$ 605,376</u>
Other Capital Assets:				
Buildings	\$ 18,255,051	\$ 3,904,425	\$ -178,891	\$ 21,980,585
Improvements	7,599,041	150,855	0	7,749,896
Machinery & Equipment	2,473,559	127,880	0	2,601,439
Total other Capital Assets at historical cost	<u>\$ 28,327,651</u>	<u>\$ 4,183,160</u>	<u>\$ -178,891</u>	<u>\$ 32,331,920</u>
Less accumulated depreciation for:				
Buildings	\$ 6,812,597	\$ 441,297	\$ -47,520	\$ 7,206,374
Improvements	3,095,352	319,413	0	3,414,765
Machinery & Equipment	1,238,559	258,676	0	1,497,235
Total Accumulated Depreciation	<u>\$ 11,146,508</u>	<u>\$ 1,019,386</u>	<u>\$ -47,520</u>	<u>\$ 12,118,374</u>
Other Capital Assets, net	<u>\$ 17,181,143</u>	<u>3,163,774</u>	<u>-131,371</u>	<u>\$ 20,213,546</u>
Governmental Activities Capital Assets, net	<u>\$ 17,622,917</u>	<u>\$ 3,327,376</u>	<u>\$ -131,371</u>	<u>\$ 20,818,922</u>

The District was unable to determine the historical cost (or value at time property was donated) of its various parcels of land. However, they believe the value of the land would not be material since most of it was acquired when land values were minimal.

Depreciation expense was charged to functions in the Statement of Activities as follows:

Instruction	\$ 873,881
Support services	119,935
Operation of non-instructional services	<u>25,570</u>
Total	<u>\$1,019,386</u>

Note 5 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 5 - Employee Retirement System, (continued)

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

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. 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, 2011, 2010, and 2009 were \$883,360, \$902,805, and \$851,168 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$9,298,519; the District's total compensation was \$12,670,447. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$66,589) and 9.50% of compensation arising from post retirement employees (\$16,578). There were \$506,317 contributions made by employees during the year ended June 30, 2011.

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, 2010, is as follows:

Total pension obligation	\$ 19,980,640,592
Net assets available for benefits, at cost	<u>9,566,683,405</u>
Nonfunded pension benefit obligation	<u>\$ 10,413,957,187</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, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 6 - Commitments and Contingencies

Commitments:

Compensated absences - As a result of the use of the regulatory basis of accounting, accrued liabilities related to compensated absences (vacation and sick-leave) and any employer-related costs earned and unpaid, are not reflected in the government-wide or fund financial statements. However, the commitment for compensated absences at June 30, 2010 is shown below.

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 amounts to buy additional teacher retirement upon retirement. Unused vacation leave for eligible employees is calculated by multiplying the employees daily rate by the number of unused vacation days at June 30.

	<u>June 30, 2011</u>
Unused Sick Leave Liability	\$ 302,513
Unused Vacation Leave Liability	<u>34,173</u>
Compensated Absences	<u>\$ 336,686</u>

Lease-Purchase Agreements - As a result of the use of the regulatory basis of accounting, accrued liabilities and the associated assets related to lease-purchase agreements are not reflected in the government-wide or fund financial statements. However, the commitment for lease-purchase agreements at June 30, 2011 is shown below.

The District has entered into lease agreements as for financing the replacement of exterior doors of the District, construction of a multi-purpose facility, high school improvements., an early childhood center, and a Ford Pickup. These lease agreements would qualify as capital leases for accounting purposes under generally accepted accounting principles since title transfers at the end of the lease terms. All of the leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 6 - Commitments and Contingencies, (continued)

The schedule of future minimum lease payments under the other capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	2008 Ford Pickup	Early Childhood Center	Activity Center	High School Improvements	Exterior Doors QZAB	Total
2012	\$ 6,341	\$ 727,650	\$ 0	\$ 0	\$ 18,931	\$ 752,922
2013	6,341	0	2,509,350	891,000	17,810	3,424,501
2014	0	900,900	0	0	0	900,900
2015	0	0	0	3,460,050	0	3,460,050
2016	0	1,074,150	0	0	0	1,074,150
2017	0	0	0	3,509,550	0	3,509,550
2018	0	1,262,250	0	0	0	1,262,250
2019	0	0	0	3,509,550	0	3,509,550
2020	0	4,959,600	0	0	0	4,959,600
2021	0	0	0	0	0	0
2022	0	5,157,600	0	0	0	5,157,600
2023	0	0	0	0	0	0
2024	0	5,365,500	0	0	0	5,365,500
Total	12,682	\$ 19,447,650	\$ 2,509,350	\$ 11,370,150	\$ 36,741	\$ 33,376,573
Less Amount Representing						
Interest	-1,739	0	0	0	-10,791	-12,530
Present Value of Future						
Minimum Lease Payments	<u>10,943</u>	<u>\$ 19,447,650</u>	<u>\$ 2,509,350</u>	<u>\$ 11,370,150</u>	<u>25,950</u>	<u>\$ 33,364,043</u>

Contingencies

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

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

Chickasha ISD No. 1, Grady County
Notes To The Basic Financial Statements
For The Year Ended June 30, 2011

Note 7 - Property Tax

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.

Note 8 - Budget Amendments

The Child Nutrition Fund budget was amended once during the year by filing a supplemental estimate form with the county clerk's office. The supplemental estimate form was filed June 13, 2011, for \$106,000. This increased the original Child Nutrition Fund budget from \$888,353 to \$994,353.

Note 9 - Surety Bonds

The school has a schedule bond with the Ohio Casualty Insurance Company bond number 1594556 for the period January 1, 2011 to January 1, 2012 which covers the following positions:

Superintendent	\$100,000
Child Nutrition Fund Custodian	\$10,000
Treasurer	75,000
Activity Fund Custodian	25,000
Encumbrance Clerk	10,000

It also covers various other positions for \$10,000 each.

Required Supplementary Information

- Budgetary Comparison Schedule - Regulatory Basis - General Fund
- Budgetary Comparison Schedule – Regulatory Basis - Sinking Fund
- Budgetary Comparison Schedule – Regulatory Basis – Insurance Recovery Fund
- Budgetary Comparison Schedule – Regulatory Basis - Building Fund
- Budgetary Comparison Schedule – Regulatory Basis - Child Nutrition Fund
- Budgetary Comparison Schedule – Regulatory Basis - Gift Fund

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - General Fund (Unaudited)
 For the Year Ending June 30, 2011

General Fund				
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Local sources	\$ 2,808,067	\$ 2,808,067	\$ 2,568,080	\$ (239,987)
Intermediate sources	341,000	341,000	366,463	25,463
State sources	10,666,947	10,666,947	10,997,797	330,850
Federal sources	2,804,514	2,804,514	2,984,756	180,242
Prior Year Lapsed Approp/Estopped Wts	0	0	43,270	43,270
Total Revenue	<u>\$ 16,620,529</u>	<u>\$ 16,620,529</u>	<u>\$ 16,960,367</u>	<u>\$ 339,839</u>
Expenditures				
Instruction	\$ 11,286,357	\$ 11,286,357	\$ 9,710,974	\$ 1,575,383
Support services	5,325,366	5,325,366	6,384,236	(1,058,870)
Operation of non-instructional services	512,900	512,900	714,684	(201,784)
Facilities acquisition and construction	200	200	0	200
Other outlays	149,620	149,620	0	149,620
Total Expenditures	<u>\$ 17,274,442</u>	<u>\$ 17,274,442</u>	<u>\$ 16,809,894</u>	<u>\$ 464,549</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (653,914)</u>	<u>\$ (653,914)</u>	<u>\$ 150,473</u>	<u>\$ 804,387</u>
Other Financing Sources (Uses)				
Transfers In	\$ 127,218	\$ 127,218	\$ 571,808	\$ 444,590
Transfers Out	0	0	(261)	(261)
Total Other Financing Sources (Uses)	<u>\$ 127,218</u>	<u>\$ 127,218</u>	<u>\$ 571,547</u>	<u>\$ 444,329</u>
Net change in fund balances	\$ (526,696)	\$ (526,696)	\$ 722,021	\$ 1,248,717
Fund Balance - Beginning of Year	<u>526,696</u>	<u>526,696</u>	<u>526,696</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,248,717</u>	<u>\$ 1,248,717</u>

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the General Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - Sinking Fund (Unaudited)
 For the Year Ending June 30, 2011

Sinking Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 1,860,172	\$ 1,860,172	\$ 1,920,880	\$ 60,708
Intermediate sources	0	0	0	0
State sources	0	0	0	0
Federal sources	0	0	0	0
Total Revenue	\$ 1,860,172	\$ 1,860,172	\$ 1,920,880	\$ 60,708
Expenditures				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support services	0	0	0	0
Operation of non-instructional services	0	0	0	0
Facilities acquisition and construction	0	0	0	0
Other outlays	1,916,663	1,916,663	1,916,663	0
Total Expenditures	\$ 1,916,663	\$ 1,916,663	\$ 1,916,663	\$ 0
Excess (deficiency) of revenues over expenditures	\$ (56,491)	\$ (56,491)	\$ 4,217	\$ 60,708
Other Financing Sources (Uses)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net change in fund balances	\$ (56,491)	\$ (56,491)	\$ 4,217	\$ 60,708
Fund Balance - Beginning of Year	56,491	56,491	56,491	0
Fund Balance - End of Year	\$ 0	\$ 0	\$ 60,708	\$ 60,708

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the Sinking Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the Sinking Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - Insurance Recovery Fund (Unaudited)
 For the Year Ending June 30, 2011

Insurance Recovery Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 0	\$ 0	\$ 12,102	\$ 12,102
Intermediate sources	0	0	0	0
State sources	0	0	0	0
Federal sources	0	0	0	0
Prior Year Lapsed Approp/Estopped Wts.	0	0	8,459	8,459
Total Revenue	\$ 0	\$ 0	\$ 20,561	\$ 20,561
Expenditures				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support services	0	0	0	0
Operation of non-instructional services	0	0	0	0
Facilities acquisition and construction	823,144	823,144	585,685	237,459
Other outlays	0	0	0	0
Total Expenditures	\$ 823,144	\$ 823,144	\$ 585,685	\$ 237,459
Excess (deficiency) of revenues over expenditures	\$ (823,144)	\$ (823,144)	\$ (565,124)	\$ 258,020
Other Financing Sources (Uses)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net change in fund balances	\$ (823,144)	\$ (823,144)	\$ (565,124)	\$ 258,020
Fund Balance - Beginning of Year	823,144	823,144	823,144	0
Fund Balance - End of Year	\$ 0	\$ 0	\$ 258,020	\$ 258,020

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the Insurance Recovery Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the Insurance Recovery Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - Building Fund (Unaudited)
 For the Year Ending June 30, 2011

Building Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 315,517	\$ 315,517	\$ 359,681	\$ 44,164
Intermediate sources	0	0	0	0
State sources	0	0	0	0
Federal sources	0	0	0	0
Prior Year Lapsed Approp/Estopped Wts	0	0	21,635	21,635
Total Revenue	\$ 315,517	\$ 315,517	\$ 381,316	\$ 65,799
Expenditures				
Instruction	\$ 19,000	\$ 19,000	\$ 18,667	\$ 333
Support services	335,257	335,257	317,883	17,374
Operation of non-instructional services	0	0	0	0
Facilities acquisition and construction	20,000	20,000	23,043	(3,043)
Other outlays	0	0	0	0
Total Expenditures	\$ 374,257	\$ 374,257	\$ 359,593	\$ 14,664
Excess (deficiency) of revenues over expenditures	\$ (58,740)	\$ (58,740)	\$ 21,723	\$ 80,463
 Other Financing Sources (Uses)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net change in fund balances	\$ (58,740)	\$ (58,740)	\$ 21,723	\$ 80,463
Fund Balance - Beginning of Year	58,740	58,740	58,740	0
Fund Balance - End of Year	\$ 0	\$ 0	\$ 80,463	\$ 80,463

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the Building Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the Building Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - Child Nutrition Fund (Unaudited)
 For the Year Ending June 30, 2011

Child Nutrition Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 280,903	\$ 280,903	\$ 297,664	\$ 16,761
Intermediate sources	0	0	0	0
State sources	10,749	10,749	12,787	2,038
Federal sources	573,613	679,613	664,391	(15,222)
Total Revenue	<u>\$ 865,265</u>	<u>\$ 971,265</u>	<u>\$ 974,841</u>	<u>\$ 3,576</u>
Expenditures				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support services	0	0	0	0
Operation of non-instructional services	507,000	613,000	508,109	104,891
Facilities acquisition and construction	381,353	381,353	0	381,353
Other outlays	0	0	469,136	(469,136)
Total Expenditures	<u>\$ 888,353</u>	<u>\$ 994,353</u>	<u>\$ 977,245</u>	<u>\$ 17,108</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (23,088)</u>	<u>\$ (23,088)</u>	<u>\$ (2,404)</u>	<u>\$ 20,684</u>
Other Financing Sources (Uses)				
Transfers In	\$ 630	\$ 630	\$ 700	\$ 70
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 630</u>	<u>\$ 630</u>	<u>\$ 700</u>	<u>\$ 70</u>
Net change in fund balances	\$ (22,458)	\$ (22,458)	\$ (1,704)	\$ 20,754
Fund Balance - Beginning of Year	<u>22,458</u>	<u>22,458</u>	<u>22,458</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 20,754</u></u>	<u><u>\$ 20,754</u></u>

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the Child Nutrition Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the Child Nutrition Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Chickasha ISD No. 1, Grady County
 Budgetary Comparison Schedule - Regulatory Basis - Gift Fund (Unaudited)
 For the Year Ending June 30, 2011

Gift Fund					
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive	(Negative)
Revenues					
Local sources	\$ 0	\$ 0	\$ 4	\$	4
Intermediate sources	0	0	0		0
State sources	0	0	0		0
Federal sources	0	0	0		0
Total Revenue	\$ 0	\$ 0	\$ 4	\$	4
Expenditures					
Instruction	\$ 1,642	\$ 1,642	\$ 0	\$	1,642
Support services	0	0	0		0
Operation of non-instructional services	0	0	0		0
Facilities acquisition and construction	0	0	0		0
Other outlays	0	0	0		0
Total Expenditures	\$ 1,642	\$ 1,642	\$ 0	\$	1,642
Excess (deficiency) of revenues over expenditures	\$ (1,642)	\$ (1,642)	\$ 4	\$	1,646
 Other Financing Sources (Uses)					
Transfers In	\$ 0	\$ 0	\$ 0	\$	0
Transfers Out	0	0	0		0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$	0
Net change in fund balances	\$ (1,642)	\$ (1,642)	\$ 4	\$	1,646
Fund Balance - Beginning of Year	1,642	1,642	1,642		0
Fund Balance - End of Year	\$ 0	\$ 0	\$ 1,646	\$	1,646

Notes to Required Supplementary Information - Budgetary Comparison Schedule

Budgetary Accounting

The District prepares its budget for the Gift Fund on the regulatory basis of accounting described in Note 1.C in the Notes To The Basic Financial Statements. This basis is consistent with the basis of accounting used in presenting the Gift Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Other Supplementary Information

- Combining Balance Sheet –Primary Government- Regulatory Basis –
Other Governmental Funds

- Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Primary Government - Regulatory Basis -
Other Governmental Funds

- Combining Statement of Changes in Assets and Liabilities –
- Regulatory Basis – Activity Fund

- Schedule of Expenditures of Federal Awards

Chickasha ISD No. 1, Grady County
Combining Balance Sheet-Regulatory Basis-Other Governmental Funds
For the Year Ending June 30, 2011

	Special Revenue Funds				Capital Project Funds				
	Building Fund	Child Nutrition Fund	Gifts & Endowments Fund	Insurance Recovery Fund	2010 Building Bond Fund	2008 Transportation Bond Fund	2006 Building Bond Fund	2008 Building Bond Fund	Other Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 98,804	\$ 20,781	\$ 1,646	\$ 272,763	\$ 85,210	\$ 14,969	\$ 1,643	\$ 1,837	\$ 497,653
Investments	<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>
<i>Total Assets</i>	<u>\$ 98,804</u>	<u>\$ 20,781</u>	<u>\$ 1,646</u>	<u>\$ 272,763</u>	<u>\$ 85,210</u>	<u>\$ 14,969</u>	<u>\$ 1,643</u>	<u>\$ 1,837</u>	<u>\$ 497,653</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Warrants payable	\$ 3,709	\$ 27	\$ 0	\$ 2,413	\$ 1,202	\$ 3,438	\$ 89	\$ 0	\$ 10,877
Encumbrances payable	<u>14,632</u>	<u>0</u>	<u>0</u>	<u>12,330</u>	<u>0</u>	<u>4,062</u>	<u>0</u>	<u>0</u>	<u>31,024</u>
<i>Total Liabilities</i>	<u>\$ 18,341</u>	<u>\$ 27</u>	<u>\$ 0</u>	<u>\$ 14,743</u>	<u>\$ 1,202</u>	<u>\$ 7,500</u>	<u>\$ 89</u>	<u>\$ 0</u>	<u>\$ 41,901</u>
Fund balances:									
Reserved for:									
Debt service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved, undesignated, reported in:									
Special revenue funds	80,463	20,754	1,646	258,020	0	0	0	0	360,883
Capital project funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,009</u>	<u>7,469</u>	<u>1,554</u>	<u>1,837</u>	<u>94,869</u>
<i>Total fund balances</i>	<u>\$ 80,463</u>	<u>\$ 20,754</u>	<u>\$ 1,646</u>	<u>\$ 258,020</u>	<u>\$ 84,009</u>	<u>\$ 7,469</u>	<u>\$ 1,554</u>	<u>\$ 1,837</u>	<u>\$ 455,752</u>
<i>Total liabilities and fund balances</i>	<u>\$ 98,804</u>	<u>\$ 20,781</u>	<u>\$ 1,646</u>	<u>\$ 272,763</u>	<u>\$ 85,210</u>	<u>\$ 14,969</u>	<u>\$ 1,643</u>	<u>\$ 1,837</u>	<u>\$ 497,653</u>

Chickasha ISD No. 1, Grady County
Combining Statement of Revenues, Expenditures and Changes in Fund Balance--Regulatory Basis--Other Governmental Funds
For the Year Ending June 30, 2011

	Special Revenue Funds				Capital Project Funds				Total Other Governmental Funds
	Building Fund	Child Nutrition Fund	Gifts & Endowments Fund	Insurance Recovery Fund	2010 Building Bond Fund	2008 Transportation Bond Fund	2006 Building Bond Fund	2008 Building Bond Fund	
Revenues									
Local sources	\$ 359,528	\$ 297,664	\$ 4	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 657,196
Intermediate sources	0	0	0	0	0	0	0	0	0
State sources	0	12,787	0	0	0	0	0	0	12,787
Federal sources	0	664,391	0	0	0	0	0	0	664,391
Reimbursements	0	0	0	10,845	31,463	0	0	0	42,308
Investment income	152	0	0	1,257	322	42	10	228	2,011
Prior Year Lapsed Appro/Estopped Wts	21,635	0	0	8,459	0	0	0	0	30,094
<i>Total Revenue</i>	<u>\$ 381,315</u>	<u>\$ 974,841</u>	<u>\$ 4</u>	<u>\$ 20,561</u>	<u>\$ 31,785</u>	<u>\$ 42</u>	<u>\$ 10</u>	<u>\$ 228</u>	<u>\$ 1,408,787</u>
Expenditures									
Current:									
Instruction	\$ 18,667	\$ 0	\$ 0	\$ 5,312	\$ 0	\$ 0	\$ 0	\$ 668	\$ 24,647
Support Services	317,883	0	0	191,874	8,802	9,708	2,764	9,921	540,951
Operation of Non-Instructional Services	0	508,109	0	11,495	0	0	0	0	519,604
Facilities Acquisition and Construction	23,043	0	0	377,004	513,975	0	0	881,100	1,795,122
Other Outlays	0	0	0	0	0	0	0	0	0
Other uses	0	0	0	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>\$ 359,592</u>	<u>\$ 508,109</u>	<u>\$ 0</u>	<u>\$ 585,685</u>	<u>\$ 522,777</u>	<u>\$ 9,708</u>	<u>\$ 2,764</u>	<u>\$ 891,689</u>	<u>\$ 2,880,324</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$ 21,723</u>	<u>\$ 466,732</u>	<u>\$ 4</u>	<u>\$ (565,124)</u>	<u>\$ (490,991)</u>	<u>\$ (9,667)</u>	<u>\$ (2,753)</u>	<u>\$ (891,461)</u>	<u>\$ (1,471,537)</u>
Other Financing Sources (Uses)									
Bond Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 575,000	\$ 0	\$ 0	\$ 0	\$ 575,000
Transfers In	0	700	0	0	0	0	0	890,000	890,700
Transfers Out	0	(469,136)	0	0	0	0	0	0	(469,136)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (468,436)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 890,000</u>	<u>\$ 996,564</u>
<i>Net change in fund balances</i>	<u>\$ 21,723</u>	<u>\$ (1,705)</u>	<u>\$ 4</u>	<u>\$ (565,124)</u>	<u>\$ 84,009</u>	<u>\$ (9,667)</u>	<u>\$ (2,753)</u>	<u>\$ (1,461)</u>	<u>\$ (474,973)</u>
<i>Fund Balance - Beginning of Year</i>	<u>58,740</u>	<u>22,458</u>	<u>1,642</u>	<u>823,144</u>	<u>0</u>	<u>17,136</u>	<u>4,307</u>	<u>3,298</u>	<u>930,725</u>
<i>Fund Balance - End of Year</i>	<u>\$ 80,463</u>	<u>\$ 20,754</u>	<u>\$ 1,646</u>	<u>\$ 258,020</u>	<u>\$ 84,009</u>	<u>\$ 7,469</u>	<u>\$ 1,554</u>	<u>\$ 1,837</u>	<u>\$ 455,752</u>

Chickasha School District No. I-001, Grady County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

ACTIVITIES	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ABE/GED	\$ 1,037	\$ 9,047	\$ 9,158	\$ 926
Archery in the Schools	22,255	46,445	56,688	12,012
Petty Cash	0	200	200	0
Textbooks/Equipment	0	2,740	2,740	0
Flower Fund-Administration	78	94	145	26
Board of Education	824	2,866	3,130	560
Grand Elementary	9,238	19,265	16,037	12,466
Lunch Fund	0	297,493	297,493	0
Lincoln Elementary	1,477	3,718	4,234	961
Alternative Education	956	90	761	285
Trans/Maintenance	58	1,204	1,034	228
Southwest Elementary	8,010	8,176	10,720	5,466
Southwest Library	813	4,692	4,684	820
Southwest Daycare	4,347	14,615	15,014	3,948
Grand Daycare	11,974	64,194	52,662	23,506
Grand Library	1,563	1,461	1,600	1,424
Lincoln Journalism	0	1,955	1,505	450
Lincoln Media Center	410	1,245	938	717
Lincoln Pictures/Vending	1,391	987	150	2,228
Middle School Office	1,972	4,217	5,683	507
MS Cheerleaders	33	0	0	33
MS Faculty Fund	75	0	0	75
MS Science club	1,144	100	597	647
MS Enrichment Program	632	0	225	407
MS F.C.C.L.A.	3,543	4,346	5,922	1,967
Academic Programs	45	400	60	385
MS Art Club	0	160	0	160
Honor Society	1,840	580	1,185	1,234
Indust. Art-AT/AE	2,670	579	686	2,563
MS Drama	46	0	46	0
Journalism	745	4,398	2,884	2,259
MS Pictures/Vending	3,916	1,899	150	5,665
MS Library	727	567	339	955
MS 7th Grade Class	427	0	0	427
MS Student Council	1,794	57	444	1,408
MS Vocal Music	696	3,096	3,303	490
MS Leadership Class	9	0	9	0
Early Childhood Center	3,889	12,899	12,064	4,724
Early Childhood Media	803	198	264	737
ECC Pictures	4,907	5,576	6,938	3,545
ECC Daycare	436	17,354	15,751	2,039
Southwest Pictures	1,409	1,771	2,361	819
Alt. Ed. Vending/Picture	239	660	250	649
Grand Pictures	2,965	3,081	2,061	3,986
Grand Spirit Squad	5,584	9,527	10,571	4,539
				0
Sub Total	\$ <u>104,974</u>	\$ <u>551,950</u>	\$ <u>550,684</u>	\$ <u>106,241</u>

Chickasha School District No. I-001, Grady County Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

ACTIVITIES	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
BJ Clack 03-04	3,867	8	3,875	0
BJ Clack 04--05	11,880	28	6,550	5,358
BJ Clack 05-06	2,785	5	1,045	1,745
BJ Clack 06-07	6,879	9	4,319	2,570
BJ Clack 07-08	8,108	17	1,713	6,413
BJ Clack 08-09	10,979	16	8,563	2,432
BJ Clack 09-10	20,049	37	10,254	9,831
BJ Clack 10-11	0	30,461	0	30,461
Nurse Fund	237	0	0	237
High School Office	1,244	5,844	5,498	1,591
Student ID Badges	0	360	0	360
Art Club	67	4,550	3,774	843
Band	2,826	19,284	16,311	5,799
Key Club	930	359	611	678
Chess Club	198	40	231	7
Vending Machine	2,733	6,177	4,415	4,494
HS Journalism	9,486	16,037	16,340	9,184
Freshman Class	96	65	128	33
Junior Class	502	1,780	1,065	1,216
Sophomore Class	79	1,005	972	112
Senior Class	500	2,459	1,599	1,359
Drama	59	1,060	958	161
Driver's Education	0	17,620	17,620	0
American Sign Language	74	0	0	74
FFA	6,159	54,816	55,632	5,343
FCCLA	1,081	2,384	3,237	228
French Club	409	0	0	409
High School Fund Raiser	2,653	0	1,648	1,005
Horticulture	2,309	4,156	2,430	4,035
HS Library	972	504	208	1,268
National Honor Society	198	310	393	115
Academic Club	48	250	30	268
School Store	30	49	30	49
Spanish Club	60	0	0	60
Special Olympics	10,137	2,585	2,801	9,921
Student Council	1,412	1,557	711	2,259
Vehicle Registration	3,996	1,003	1,643	3,355
Vocal Music	2,176	4,886	4,296	2,766
After Prom Account	0	3,285	3,014	271
Jr./Sr. Prom	1,293	4,814	4,416	1,691
Coaches Account	0	2,000	1,369	631
Cross Country	0	1,395	1,307	88
Football	50	5,125	5,175	0
Basketball Boys	3,602	2,260	5,862	0
Basketball Girls	968	3,332	4,242	58
Swimming	0	1,155	991	164
Baseball	407	12,200	11,716	892
Softball	0	2,440	2,440	0
Wrestling	1,388	3,667	5,055	0
Tennis Boys	120	4,453	4,308	265
Track	430	3,241	3,414	257
Boys Golf	246	2,879	2,839	286
Soccer	1,210	4,595	2,832	2,974
Athletic Administration	37	469	420	86
Athletic Misc	2,235	5,450	7,507	178
Carryover	0	10,219	10,219	0
Tennis Girls	1,247	0	1,247	0
Concessions	20,083	80,298	95,648	4,733
Golf Girls	98	0	98	0
Pom Pom	146	958	1,103	0
Cheerleading	3,382	12,544	13,695	2,231
Volleyball	0	1,571	1,497	74
Athletics Gate	11,264	200,263	198,096	13,431
Athletics Medical	546	3,954	3,086	1,414
Subtotal	<u>163,970</u>	<u>552,284</u>	<u>570,494</u>	<u>145,760</u>
Total Activities	<u>\$ 268,944</u>	<u>\$ 1,104,234</u>	<u>\$ 1,121,178</u>	<u>\$ 252,000</u>

CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1, GRADY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Project Number	Deferred Revenue (Accounts Receivable) July 1, 2010	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2011
U.S. Department of Education						
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Part A, Basic (Note 4)	84.010	511/512/786	(2,664)	651,940	654,310	(5,034)
ARRA Title I, Basic	84.389	516	0	147,756	147,756	0
Title I, Part D, Subpart 2, Delinquent	84.010	532	(381)	10,881	25,073	(14,573)
ARRA Title I, Subpart 2, Delinquent	84.389	533	0	302	302	0
Title I Cluster			(3,045)	810,879	827,441	(19,607)
IDEA-B Flowthrough	84.027	621	(2,437)	567,986	568,460	(2,911)
ARRA IDEA B, Flow Through	84.391A	622	0	131,539	133,676	(2,138)
ARRA Preschool	84.392A	643	0	4,124	4,124	0
IDEA-B Preschool	84.173	641	0	16,315	16,315	0
Special Education Cluster			(2,437)	719,964	722,575	(5,049)
ARRA Education Stabilization Fund	84.394	782	0	542,884	542,884	0
ARRA Stabilization Cluster			0	542,884	542,884	0
Title II, Part A (Note 4)	84.367	541/786	0	193,249	193,249	0
Job Training - OJT	84.126	456	(1,448)	1,448	0	0
Title II, Part D -Technology & Professional Dev	84.318	546/548	(6,288)	6,370	1,840	(1,758)
Title IV, Part A	84.186A	551	(14,398)	14,398	0	0
Adult Basic Education	84.002	731	(9,506)	95,776	116,748	(30,479)
English Literacy - Adult Basic Education	84.002	732	0	0	334	(334)
Education JOBS Fund	84.410	790	0	459,057	459,057	0
<u>Passed Through Oklahoma Department of Career Technology:</u>						
Cark Perkins	84.008	421	0	26,897	26,897	0
Total U.S. Department of Education			(37,122)	2,870,922	2,891,027	(57,226)
U.S. Department of Health and Human Services						
<u>Passed through Oklahoma Health Care Authority:</u>						
Medicaid Resources	93.778	698	14,261	62,695	62,320	14,636
<u>Passed through Oklahoma Department of Human Services:</u>						
Temp Assist for Needy Family TANF	93.558	735	(4,943)	44,270	52,673	(13,345)
Total U.S. Department of Health and Human Services			9,318	106,965	114,992	1,291
U.S. Department of the Interior						
<u>Passed through the Chickasaw Nation:</u>						
Johnson O'Malley	15.130	563	(6,869)	6,869	8,313	(8,313)
Total U.S. Department of the Interior			(6,869)	6,869	8,313	(8,313)
U.S. Department of Agriculture						
<u>Passed Through State Department of Education:</u>						
Breakfast Program (Note 2)	10.553	385	0	180,294	180,294	0
Lunch Program (Note 2)	10.555	385	0	484,097	484,097	0
Commodities Distributed-Lunch (Note 3)	10.555	385	0	41,712	41,712	0
Child Nutrition Cluster			0	706,102	706,102	0
Total U.S. Department of Agriculture			0	706,102	706,102	0
TOTAL FEDERAL ASSISTANCE			(34,673)	3,690,859	3,720,434	(64,249)

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

Note 2 - The District does not track expenditures paid from these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$41,712 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 4 - Consolidated administrative funds revenues and expenditures are included with the programs that provided the funding: Title I, Part A-\$32,235 and Title II, Part A-\$10,775.

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

	CFDA #	Program #	Federal Grant Receipts	Federal Grant Expenditures	Deferred ARRA Revenue (Accounts Rec)
ARRA Title I	84.389	516	147,756	147,756	0
ARRA Title I, Part D, Subpart 2	84.389	533	302	302	0
ARRA Special Education	84.391A	622	131,539	133,676	(2,138)
ARRA Special Education Preschool	84.392A	643	4,124	4,124	0
ARRA Education Stabilization Fund	84.394	782	542,884	542,884	0
			826,605	828,743	(2,138)



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board Members:

Compliance

We have audited **Chickasha Independent School District #I-1**, Grady County, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, **Chickasha Independent School District #I-1, Grady County**, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

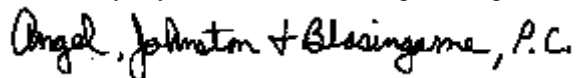
Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the governing board, management, others within the agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Chickasha, Oklahoma
February 6, 2012

Internal Control and Compliance

Federal Programs

-Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

- Schedule of Findings and Questioned Costs - Federal Programs

Other Internal Control and Compliance

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With With Government Auditing Standards

- Summary Schedule of Prior Year Audit Findings

Chickasha ISD No. 1, Grady County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Section 1

Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---|-----------------------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weakness? | None Reported |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 84.010/84.389 | Title I Cluster |
| 84.027/84.173/84.391A/84.392A | IDEA-B Flowthrough |
| 84.394 | ARRA Education Stabilization Fund |
| 84.410 | Education Jobs Fund |
| 5. Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Chickasha ISD No. 1, Grady County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011
(continued)

Section 2

Financial Statement Findings

2011-1 Finding

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

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

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

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

Views of Responsible Officials and Planned Corrective Action - Management believes the purchase orders were initiated properly, but just did not get attached to invoices. In the future, they will be more careful to ensure that all invoices have an attached purchase order.

2011-2 Finding

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

Criteria - Oklahoma statutes require the treasurer to obtain collateral pledged to cover bank balances in excess of FDIC Insurance coverage.

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

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

Views of Responsible Officials and Planned Corrective Action - Review of current collateral pledged show the school has adequate coverage since the balances have returned to a more normal base. Management will check on a regular basis to ensure that balances are covered at all times.

Section 3

Federal Award Findings and Questioned Costs

(None reported)



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Chickasha Independent School District #1**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated February 6, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2011-1, 2011-2) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
February 6, 2012

Chickasha ISD No. 1, Grady County
Summary Schedule of Prior Audit Findings - Federal Programs
Year Ended June 30, 2011

Management Letter Findings

2010-1 – Finding – During our review of the Title II, Part D, Technology & Professional Development grant (project codes 546/548), we noted the school had a receivable of \$6,287.55 as of June 30, 2010. The school received \$1,309.92 of this receivable in September 2010, but the remaining \$4,977.63 had not been received as of the date of our audit. Once it was brought to their attention, the district contacted the State Department of Education to determine why the reimbursement had not been received.

Recommendation – We recommend the district establish procedures to track all outstanding claims and to follow up on any unreimbursed claims in a timely manner.

Current Status – This was not noted during the 2010-11 audit.

2010-2 – Finding – During our testing of the FFA Blue & Gold Sausage fundraiser, we noted two separate deposits which could not be traced back to the sponsors receipt books. Thus, it appears receipts may not have been issued for all monies collected. Oklahoma State Department of Education regulations require receipts be issued whenever possible.

Recommendation - We recommend that a pre-numbered receipt be issued anytime money is collected by a district employee. In addition, we recommend the sponsors reconcile their collections with their receipts and provide receipt numbers to the secretary at the time money is turned in.

Current Status – This was not noted during the 2010-11 audit.

Additional Information

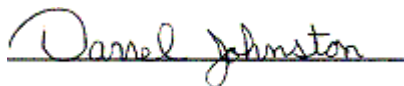
- Schedule of Accountant's Professional Liability Insurance Affidavit
- School District Officials

Chickasha ISD No. 1, Grady County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2011

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 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2012.

Notary Public

My Commission Expires 11-12-2012

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. I-1, GRADY COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

BOARD OF EDUCATION

President	Bruce Storms
1st Vice President	Joe Alford
2nd Vice President	Scott Williams
Member	Ted Bingham
Member	Karen Horn

SUPERINTENDENT OF SCHOOLS

Jim Glaze

SCHOOL DISTRICT TREASURER

Dwight Yokum

ENCUMBRANCE CLERK

Kelly Hair

BOARD CLERK

Katrina Powell

Chickasha Public School District

Grady County

**Audit Findings
Corrective Action Plan**

Audit Year 2010-11

Audit Finding Reference Number: 2011-1

Description of Finding: The District could not locate the signed purchase orders/requisitions for 11 of 56 goods/services expenditures tested from the appropriated funds.

Contact Person: Dwight Yokum/Kelly Hair

Steps Implemented: The District will work to see that all invoices have attached to them a signed purchase order.

Completion Date: The implementation of these procedures occurred immediately after being notified of this finding.

Chickasha Public School District

Grady County

**Audit Findings
Corrective Action Plan**

Audit Year 2010-11

Audit Finding Reference Number: 2011-2

Description of Finding: The District did not have enough collateral pledged on June 30, 2011 to cover the balances in the bank that exceeded the FDIC insurance amounts.

Contact Person: Dwight Yokum

Steps Implemented: The District will monitor on a monthly basis the amount of cash in the bank and work closely with the bank to ensure enough funds are pledged to cover deposits.

Completion Date: The implementation of these procedures occurred immediately after being notified of this finding.