

Cherokee Immersion Charter School

District No. T001

Auditor's Reports and Financial Statements

June 30, 2013



Cherokee Immersion Charter School
District No. T001
June 30, 2013

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Cherokee Immersion Charter School
District No. T001
School District Officials
July 1, 2012 to June 30, 2013

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

Amon Baker, President

Dewayne Marshall, Vice President

Foreman Ross, Secretary

Roberta Gibson, Member

Jeff Limore, Member

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying fund type financial statements – regulatory basis of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma (the School) as of and for the year ended June 30, 2013, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education described in *Note 1*; this includes determining that the prescribed basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Board of Education
Cherokee Immersion Charter School
District No. T001

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

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

As described in *Note 1*, the School has prepared these financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements prescribed or permitted by the Oklahoma State Department of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in *Note 1* and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly the financial position of each fund type of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma as of June 30, 2013, or the results of their operations for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly in all material respects, the assets, liabilities and equity arising from regulatory basis transactions of the general fund type of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma, as of June 30, 2013, and the revenues collected, expenditures paid/expenses and budgetary results for the year then ended on the regulatory basis of accounting described in *Note 1*.

Supplementary Information

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

Board of Education
Cherokee Immersion Charter School
District No. T001

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Accountants' Professional Liability Insurance Affidavit is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
March 24, 2014

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

**Statement of Assets, Liabilities and Equity – Regulatory Basis – All Fund Types
June 30, 2013**

Assets

	General Fund
	<hr/>
Due from Cherokee Nation	\$ 188,136
	<hr/>
Total assets	<u>\$ 188,136</u>

Liabilities and Fund Balance

Liabilities

Warrants payable	\$ 13,827
	<hr/>
Total liabilities	<u>13,827</u>

Fund Credits, Equity and Other

Fund balance	<u>174,309</u>
	<hr/>
Total fund balance	<u>174,309</u>
	<hr/>
Total liabilities and fund balance	<u>\$ 188,136</u>

Cherokee Immersion Charter School

District No. T001

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Regulatory Basis – All Governmental Fund Types Year Ended June 30, 2013

	General Fund
	<hr/>
Revenues Collected	
Intergovernmental – Oklahoma State Department of Education	\$ 560,281
Contributions from Cherokee Nation	2,234,356
Other	962
	<hr/>
Total revenues	2,795,599
	<hr/>
Expenditures Paid	
Instruction	1,892,172
Support services	298,711
Non-instruction services	553,604
	<hr/>
Total expenditures paid	2,744,487
	<hr/>
Excess of Revenues Collected over Expenditures Paid	51,112
	<hr/>
Fund Balance, Beginning of Year	123,197
	<hr/>
Fund Balance, End of Year	\$ 174,309
	<hr/> <hr/>

Cherokee Immersion Charter School

District No. T001

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Regulatory Basis – Budget to Actual – Budgeted Governmental Fund Types Year Ended June 30, 2013

	General Fund		
	Original Budget	Final Budget	Actual
Revenues Collected			
Intergovernmental – Oklahoma State			
Department of Education	\$ 502,839	\$ 502,839	\$ 560,281
Contributions from Cherokee Nation	1,988,573	1,988,573	2,234,356
Other	-	-	962
	<u>-</u>	<u>-</u>	<u>962</u>
Total revenues	<u>2,491,412</u>	<u>2,491,412</u>	<u>2,795,599</u>
Expenditures Paid			
Instruction	1,698,573	1,698,573	1,892,172
Support services	258,975	258,975	298,711
Capital outlay	-	-	-
Non-instruction services	533,864	533,864	553,604
	<u>533,864</u>	<u>533,864</u>	<u>553,604</u>
Total expenditures paid	<u>2,491,412</u>	<u>2,491,412</u>	<u>2,744,487</u>
Excess of Revenues Collected over Expenditures Paid	-	-	51,112
Fund Balance, Beginning of Year	-	-	123,197
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,309</u>

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2013

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

The basic financial statements of the Cherokee Immersion Charter School (the School) have been prepared in conformity with the basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the School's accounting policies are described below.

Reporting Entity

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

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

In evaluating how to define the School for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School and/or its citizens, or whether the activity is conducted within the geographic boundaries of the School and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the Cherokee Immersion Charter School's reporting entity.

The Parent Teacher Association (PTA) is not included in the reporting entity. The School does not appoint any of the board members or exercise any oversight over the PTA.

Fund Accounting and Description of Fund

The School uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

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

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2013

The fund maintained by the School is a governmental fund.

Governmental Fund Types

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

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

Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts and other commitments for the expenditures of monies are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types, and when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2013

Budgets and Budgetary Accounting

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

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

Due from Cherokee Nation

The Cherokee Nation acts as an agent for the cash deposits of the School. Due from Cherokee Nation represents the amount of cash deposits that are held by the Cherokee Nation on behalf of the School.

Warrants Payable

Warrants are issued to meet the obligations for goods and services provided to the School. The School recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the School's treasurer.

Fund Balance

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

Revenues, Expenses and Expenditures

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

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

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

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2013

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, etc.) which assist in the instructional process.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students and staff, such as indirect cost charges and allocated space costs.

Use of Estimates

The preparation of financial statements in conformity with accounting and financial reporting regulations prescribed or permitted by the OSDE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 2: Indirect Costs

The School is a component of the Cherokee Nation's indirect cost plan. The Cherokee Nation's plan utilizes a fixed rate with carryforward. The School is allocated a percentage of total costs incurred during the year. The rate applied for the year ended June 30, 2013, was 14.23%. The rate is capped at 5% for expenditures paid by funds received from the OSDE. Total indirect costs allocated to the School for the year ended June 30, 2013, were approximately \$275,000 and \$24,000, respectively, related to funds received from the Cherokee Nation and OSDE, respectively.

Note 3: Related Party

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

Cherokee Immersion Charter School
District No. T001
Notes to Financial Statements
June 30, 2013

Note 4: Risk Management

The School participates in the Cherokee Nation's various insurance programs to manage certain exposures from general liability, property and employee health insurance. The Cherokee Nation manages its exposures through risk retention and the purchase of insurance. The School was allocated approximately \$25,000 of insurance expense for the year ended June 30, 2013.

Note 5: Subsequent Events

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

**Cherokee Immersion Charter School
District No. T001
Statement of Statutory, Fidelity and Honesty Bonds
Year Ended June 30, 2013**

Travelers Casualty and Surety Company of America

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

Policy # (Bond #): 105738285

Policy Period: October 1, 2012 through October 1, 2013

Policy Limit: \$1,000,000

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type financial statements of the Cherokee Immersion Charter School, District No. T001, Cherokee County, Oklahoma (the School), as listed in the table of contents, as of June 30, 2013, and have issued our report thereon dated March 24, 2014, which expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education (regulatory basis) and expressed an unmodified opinion on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the School's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Board of Education
Cherokee Immersion Charter School
District No. T001

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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

Other Matter

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

BKD, LLP

Tulsa, Oklahoma
March 24, 2014

Cherokee Immersion Charter School
District No. T001
Schedule of Findings and Responses
Year Ended June 30, 2013

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

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

**Schedule of Accountants' Professional Liability Insurance Affidavit
Year Ended June 30, 2013**

STATE OF OKLAHOMA

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County of Tulsa

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The representative of the undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountants' Professional Liability Insurance in Accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with the Cherokee Immersion Charter School, District No. T001, for the audit year 2012-2013.

BKD, LLP

Don Williams

Subscribed and sworn to before me on this 24 day of MARCH, 20 14.

My commission expires on 2 day of NOVEMBER, 20 14

Devin Gardner

Notary Public

Affix Notary Seal

