AUDITED FINANCIAL STATEMENTS - REGULATORY BASIS AND REPORTS OF INDEPENDENT AUDITOR

ASHER SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY, OKLAHOMA

JUNE 30, 2020

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT SCHOOL DISTRICT NO. I-112
POTTAWATOMIE COUNTY, OKLAHOMA
JUNE 30, 2020

TABLE OF CONTENTS

	Page No.
Table of Contents	1-2
School District Officials	3
Independent Auditor's Report	4-5
COMBINED FINANCIAL STATEMENTS:	
Combined Statement of Assets, Liabilities and Fund Balances – Regulatory Basis - All Fund Types and Account Groups	6
Combined Statement of Revenues, Expenditures, and Changes in Cash Fund Balances – Regulatory Basis - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Governmental Fund Types	8-10
Notes to Combined Financial Statements	11-26
OTHER SUPPLEMENTARY INFORMATION:	
COMBINING FINANCIAL STATEMENTS:	
Combining Statement of Assets, Liabilities and Fund Balances - All Special Revenue Funds	27
Combining Statement of Revenues, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds	28

INDEPENDENT SCHOOL DISTRICT NO. I-112
POTTAWATOMIE COUNTY, OKLAHOMA
JUNE 30, 2020

TABLE OF CONTENTS

Page No.

OTHER SUPPLEMENTARY INFORMATION:

COMBINING FINANCIAL STATEMENTS (contd):

Combining Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Special Revenue Fund Types 29

Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - All Agency Funds 30

Schedule of Expenditures of Federal Awards 31

Schedule of Surety Bonds 32

Internal Control and Compliance Reports

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 33-34

Schedule of Findings 35-37

Disposition of Prior Year's Schedule of Findings 38

Schedule of Accountant's Professional Liability Insurance Affidavit 39

INDEPENDENT SCHOOL DISTRICT NO. I-112
POTTAWATOMIE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

BOARD OF EDUCATION

President	Michael Martin
Vice-President	Larry Odell
Clerk	Jacob Leba
Member	Tommy Greg
Member	Tim Dobbs

SUPERINTENDENT OF SCHOOLS

Terry Grissom

MINUTES AND ENCUMBRANCE CLERK

Angela Roberts

SCHOOL DISTRICT TREASURER

Darrel Johnston

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Asher School District No. I-112
Asher, Oklahoma 74826-0168

Report on the Financial Statements
We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Asher School District No. I-112, Asher, Oklahoma (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1, the financial statements are prepared by the Asher School District No. I-112, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although reasonably determined, are presumed to be material.

116 WEST BRECKENRIDGE AVE, BIXBY, OK 74008
PHONE: 918.366.4440 FAX: 918.366.4443
WWW.JENKINSKEMPER.COM

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because the significance of the matter discussed in the previous paragraph, the basic financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Asher School District No. I-112, Pottawatomie County, Oklahoma as of June 30, 2020, or the revenues, expenses, and changes in net position and, where applicable, its cash flows for the year then ended.

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

Qualified Opinion on Regulatory Basis of Accounting
In our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2020, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund statements, regulatory basis, listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 combining statements-regulatory basis are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated April 22, 2021, on our consideration of the District'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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

April 22, 2021

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2020

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	TOTALS (MEMO ONLY)
Cash	$ 759,363	117,066	7,608	1,625	63,490		949,152
Amounts available in debt service						7,608	7,608
Amounts to be provided for retirement of general long-term debt						329,176	329,176
Total Assets	759,363	117,066	7,608	1,625	63,490	336,784	1,285,936
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	192,208	40,229					232,437
Encumbrances	10,055	15,047					25,102
Funds held for school organizations					63,490		63,490
Long-term debt:							
Bonds payable						320,000	320,000
Capital leases						16,784	16,784
Total liabilities	202,263	55,276			63,490	336,784	657,813
Fund balances							
Restricted for:							
Capital projects				1,625			1,625
Debt service			7,608				7,608
Child nutrition		31,015					31,015
Co-op		14,209					14,209
Building		16,566					16,566
Unassigned	557,100						557,100
Total fund balances	557,100	61,790	7,608	1,625	-		628,123
Total liabilities and fund balances	$ 759,363	117,066	7,608	1,625	63,490	336,784	1,285,936

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

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2020

	GOVERNMENTAL FUND TYPES				
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMO ONLY)
Revenues					
Local sources	$ 334,472	141,404	169,855		645,731
Intermediate sources	46,176				46,176
State sources	1,822,473	3,319	22		1,825,814
Federal sources	255,698	106,362			362,060
Non-revenue receipts		24,854			24,854
Total revenues	2,458,819	275,939	169,877		2,904,635
Expenditures					
Instruction	1,417,325				1,417,325
Support services	890,861	135,353		159,992	1,186,206
Operation of non-instructional services	25,049	104,189			129,238
Repayments	15,000				15,000
Debt service			173,680		173,680
Total expenditures	2,348,235	239,542	173,680	159,992	2,921,449
Revenues over (under) expenditures	110,584	36,397	(3,803)	(159,992)	(16,814)
Other financing sources (uses)					
Lapsed appropriations	8,440				8,440
Bond proceeds	14,963	999		160,000	175,962
Total other financing sources (uses)	23,403	999		160,000	184,402
Revenue and other sources over (under) expenditures and other uses	133,987	37,396	(3,803)	8	167,588
Cash fund balance, beginning of year	423,113	24,394	11,411	1,617	460,535
Cash fund balance, end of year	$ 557,100	61,790	7,608	1,625	628,123

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

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2020

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 209,859	209,859	334,472
Intermediate sources	39,000	39,000	46,176
State sources	1,820,599	1,820,599	1,822,473
Federal sources	128,751	128,751	255,698
Total revenues	2,198,209	2,198,209	2,458,819
Expenditures			
Instruction	1,585,081	1,585,081	1,417,325
Support services	1,015,969	1,015,969	890,861
Operation of non-instructional services	19,580	19,580	25,049
Other outlays	692	692	
Repayments			15,000
Total expenditures	2,621,322	2,621,322	2,348,235
Revenues over (under) expenditures	(423,113)	(423,113)	110,584
Other financing sources (uses)			
Lapsed appropriations			8,440
Estopped warrants			14,963
Total other financing sources (uses)			23,403
Revenue and other sources over (under) expenditures and other uses	(423,113)	(423,113)	133,987
Cash fund balance, beginning of year	423,113	423,113	423,113
Cash fund balance, end of year	$ -	-	557,100

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

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2020

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 155,001	155,001	141,404
State sources	10,100	10,100	3,319
Federal sources	85,000	85,000	106,362
Non-revenue receipts	23,000	23,000	24,854
Total revenues	273,101	273,101	275,939
Expenditures			
Instruction			
Support services	179,395	179,395	135,353
Operation of non-instructional services	118,100	118,100	104,189
Total expenditures	297,495	297,495	239,542
Revenues over (under) expenditures	(24,394)	(24,394)	36,397
Other financing sources (uses)			
Estopped warrants			999
Revenue and other sources over (under) expenditures and other uses	(24,394)	(24,394)	37,396
Cash fund balance, beginning of year	24,394	24,394	24,394
Cash fund balance, end of year	$ -	-	61,790

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

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2020

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 162,269	162,269	169,855
State sources			22
Non-revenue receipts			
Total revenues	162,269	162,269	169,877
Expenditures			
Other outlays			
Debt service	173,680	173,680	173,680
Revenues over (under) expenditures	(11,411)	(11,411)	(3,803)
Cash fund balance, beginning of year	11,411	11,411	11,411
Cash fund balance, end of year	$ -	-	7,608

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

NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

The basic financial statements of the Asher Public Schools Independent District No. I-112 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public-school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public-school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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 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.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for

1. **Summary of Significant Accounting Policies-** contd.

B. Fund Accounting - contd.

school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2019-20 fiscal year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) 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.

Capital Projects Funds - The capital projects fund is the District's bond fund and is 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.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2019-20 fiscal year.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

1. **Summary of Significant Accounting Policies**- contd.

B. *Fund Accounting* - contd.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

1. **Summary of Significant Accounting Policies**- contd.

C. Basis of Accounting and Presentation – contd.

- 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 requires 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.

D. Budgets and Budgetary Accounting

The District 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. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

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.

E. Assets, Liabilities and Fund Balances

Cash - Cash consists of cash on hand, demand deposit accounts, and interest-bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies;

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Balances – contd.

and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2020 is not material to the combined financial statements-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

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

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Balances- contd.

Fund Balance – Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

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

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

- **Restricted** fund balance represents amounts that are constrained either externally by creditors, grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.
- **Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The School Board is the highest level of decision-making authority of the School District.
- **Assigned** fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund* that are neither restricted nor committed and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.
- **Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. 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 owned. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education 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 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.

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures - contd.

The District receives revenue from the state to administer certain categorical educational programs. 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 fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the General fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

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 or hospital, 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, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures - contd.

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.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - 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 improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third-party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no inter-fund transfers made during the 2019-20 fiscal year.

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2020, the District held deposits of approximately $949,152. at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

a. 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.
b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There are no investments held at June 30, 2020.

3. General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of building bonds payable and one capital lease. Debt service requirements for bonds are payable solely from the fund balance and the 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, 2020:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2019	$ 320,000	22,181	342,181
Additions	-	-	-
Retirements	-	5,397	5,397
Balance, June 30, 2020	$ 320,000	16,784	336,784

A brief description of the outstanding long-term debt at June 30, 2020 is set forth below:

	Amount outstanding
General Obligation Bonds	
Building Bonds, Series 2018, original issue $160,000, interest rate of 3.10%, due in one installment on 7-01-21	$ 160,000
Building Bonds, Series 2017, original issue $160,000, interest rate of 2.35%, due in one installment on 7-01-20	160,000
Capital Leases	
Lease-purchase for LED lighting totaling $42,578, Interest rate of 3.261%, due in monthly payments of $503, beginning 6-01-18, final payment due 5-01-23	16,784
Totals	$ 336,784

3. **General Long-term Debt** – contd.

The annual debt service requirements for the retirement of bond principal and interest are as follows:

Year ending June 30	Principal	Interest	Total
2021	$ -	10,320	10,320
2022	160,000	6,400	166,400
2023	160,000	3,920	163,920
Totals	$ 320,000	20,640	340,640

There was $13,680 in interest paid on general long-term debt during the current year.

The annual principal and interest payments for capital leases are as follows:

Year ending June 30	Principal	Interest	Total
2021	5,576	464	6,040
2022	5,760	280	6,040
2023	5,448	592	6,040
Totals	$16,784	1,336	30,202

4. **Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

4. **Employee Retirement System** – contd.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. 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 System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employees who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension liability amount is not required to be presented on the financial statements. The amount of calculated net pension liability for the District at June 30, 2019 (latest information available) was $1,802,658.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 4.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2020, 2019 and 2018 were $114,709, $116,893, and $107,332 respectively.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. Subsequent Events

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

OTHER SUPPLEMENTARY INFORMATION – REGULATORY BASIS - COMBINING FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2020

ASSETS	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTALS (MEMO ONLY)
Cash	$ 23,698	43,414	49,954	117,066
Total assets	23,698	43,414	49,954	117,066
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants payable	3,613	17,677	18,939	40,229
Encumbrances	3,519	11,528		15,047
Total liabilities	7,132	29,205	18,939	55,276
Fund balances				
Restricted	16,566	14,209	31,015	61,790
Total liabilities and fund balances	$ 23,698	43,414	49,954	117,066

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2020

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTALS (MEMO ONLY)
Revenues				
Local sources	$ 32,834	108,570		141,404
State sources	4		3,315	3,319
Federal sources			106,362	106,362
Non-revenue receipts			24,854	24,854
Total revenues	32,838	108,570	134,531	275,939
Expenditures				
Support services	37,890	97,463		135,353
Operation of non-instructional services			104,189	104,189
Total expenditures	37,890	97,463	104,189	239,542
Revenues over (under) expenditures	(5,052)	11,107	30,342	36,397
Other financing sources (uses)				
Estopped warrants		326	673	999
Revenue and other sources over (under) expenditures and other uses	(5,052)	11,433	31,015	37,396
Cash fund balance, beginning of year	21,618	2,776	-	24,394
Cash fund balance, end of year	$ 16,566	14,209	31,015	61,790

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2020

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues									
Local sources	$ 30,001	30,001	32,834	125,000	125,000	108,570			
State sources			4				10,100	10,100	3,315
Federal sources							85,000	85,000	106,362
Non-revenue receipts							23,000	23,000	24,854
Total revenues	30,001	30,001	32,838	125,000	125,000	108,570	118,100	118,100	134,531
Expenditures									
Support services	51,619	51,619	37,890	127,776	127,776	97,463			
Operation of non-instructional services							118,100	118,100	104,189
Total expenditures	51,619	51,619	37,890	127,776	127,776	97,463	118,100	118,100	104,189
Revenues over (under) expenditures	(21,618)	(21,618)	(5,052)	(2,776)	(2,776)	11,107	-	-	30,342
Other financing sources (uses)									
Estopped warrants						326			673
Revenue and other sources over (under) expenditures and other uses	(21,618)	(21,618)	(5,052)	(2,776)	(2,776)	11,433	-	-	31,015
Cash fund balance, beginning of year	21,618	21,618	21,618	2,776	2,776	2,776	-	-	-
Cash fund balance, end of year	$ -	-	16,566	-	-	14,209	-	-	31,015

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Net Transfers	Deletions	Balance June 30, 2020
Assets					
Cash	$ 62,029	121,263	-	119,802	63,490
Liabilities					
Funds held for student organizations					
Non Categorical	-	24,906		24,906	-
Athletics	16,430	43,238		45,826	13,842
FFA/AG	4,041	19,817		19,693	4,165
Counseling	993	-		-	993
Yearbook	1,544	1,312		-	2,856
Elementary Fund	2,981	4,723		4,266	3,438
Special Grant Projects	44	-		-	44
Class of 2030	207	163		-	370
Class of 2018	1,376	-		1,376	
Class of 2019	731	-		731	
Class of 2020	673	550		1,134	89
Class of 2021	2,466	10,427		5,941	6,952
Class of 2022	1,010	1,186		674	1,522
Class of 2023	793	235		-	1,028
Class of 2024	778	489		-	1,267
Class of 2025	813	232		-	1,045
Class of 2026	806	165		-	971
Class of 2027	541	123		-	664
Class of 2028	385	65		-	450
Misc	2,195	-		345	1,850
Cheerleaders' Acct	49	-		-	49
Library Acct	518	1,381		-	1,899
Academic Acct	940	-		300	640
Class of 2029	105	175		-	280
Business Prog of Amer	2,245	2,861		856	4,250
Hawthorne	148	-		-	148
Girls' Basketball	574	1,707		559	1,722
Boys' Baseball	6,391	-		4,527	1,864
Girls' Softball	3,604	5,194		5,684	3,114
Sports Banquet	180	-		-	180
Driver's Ed	43	608		-	651
Extended Day Acct	16	-		-	16
Boys' Basketball	953	-		650	303
Flower Fund	2	140		-	142
Accelerated Reading	216	158		22	352
Ice Cream	473	-		247	226
Teacher of the Year	263	-		-	263
Community Service	563	452		-	1,015
Drama Club	1,200	779		636	1,343
Math/Science	533	-		-	533
Audit Adjustment	4,206			1,429	2,777
Class of 2031	-	72		-	72
Class of 2032	-	62		-	62
Class of 2033	-	43		-	43
Total Liabilities	$ 62,029	121,263	-	119,802	63,490

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020
(AS REQUIRED BY THE OKLAHOMA STATE DEPT OF EDUCATION)

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/1/2019	Revenue Collected	Total Expenditures	Ending Balance 6/30/2020
U.S. Department of Education							
Direct Programs:							
Title VI-Part A, Indian Education	84.060	561	$ 24,478		24,478	24,478	
Title V-Small, Rural School Ach. Program	84.358A	588	34,146		34,146	34,146	
Subtotal - Direct Programs			58,624	-	58,624	58,624	-
Passed Through State Department of Education:							
Title I-Part A, Improving Basic Programs	84.010	511	77,627		70,973	70,973	
Title I-Part A, Improving Basic Programs 2018-19	84.010	799		(74,863)	74,863		
Title II-Part A, Teacher & Principal Training	84.367	541/511	7,480		7,480	7,480	
Title II-Part A 2018-19	84.367	799		(12,125)	12,125		
Title IV-SSAE Grant	84.424A	552	19,799		19,799	19,799	
Title IV-SSAE Grant 2018-19	84.424A	799		(10,201)	10,201		
Subtotal - Passed Through State Dept of Education			104,906	(97,189)	195,441	98,252	-
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Cluster:							
Cash Assistance:							
National School Lunch Program	10.555	763			71,098	49,131	21,967
School Breakfast Program	10.553	764			35,264	33,801	1,463
Cash Assistance Subtotal				-	106,362	82,932	23,430
Passed Through State Department of Human Services:							
Non-cash Assistance (Commodities)	10.555	N/A			8,954	8,954	
Subtotal - Child Nutrition Program (Cluster)				-	115,316	91,886	23,430
Other Federal Assistance:							
OJT-Rehabilitation Services	84.126	456	1,632		1,633	1,210	423
Subtotal - Other Federal Assistance			1,632	-	1,633	1,210	423
Total Federal Assistance			$ 165,162	(97,189)	371,014	249,972	23,853

Note 1 - Commodities received by the District in the amount of $8,954 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount. These commodities are reported at fair market value.

Note 2 - There were no amounts passed to subrecipients.

Note 3 - Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

Note 4 - Expenditures under the Title I Program cluster includes $7,480 in Title II and $5,799 in Title IV funds that were transferred to the Title I-Part A program.

I-112, POTTAWATOMIE COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2020

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Western Surety Company	Superintendent	14430579	$100,000	7/1/19-7/1/20
Travelers	Treasurer	106756127	$100,000	6/8/20-6/8/21
Western Surety Company	Encumbrance Clerk	71298613	$3,000	7/1/19-7/1/20
	Activity Fund Custodian	70106335	$1,000	7/1/19-7/1/20
	Activity Fund Custodian	71298613	$3,000	7/1/19-7/1/20
	Minutes Clerk	71298613	$3,000	7/1/19-7/1/20

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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

The Honorable Board of Education
Asher School District No. I-112
Asher, Oklahoma 74826-0168

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis as listed in the Table of Contents, of Asher School District No. I-112, Asher, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 22, 2021. This report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

116 WEST BRECKENRIDGE AVE, BIXBY, OK 74008
PHONE: 918.366.4440 FAX: 918.366.4443
WWW.JENKINSKEMPER.COM

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 five (5) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 20-01 through 20-05.

Response to Findings

The District's responses to the findings identified in our audit are described in the letter following the audit acknowledgement page. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

April 22, 2021

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2019 TO JUNE 30, 2020

Findings – Financial Statement Audit

20-01– Signed as Received

Condition: Several purchase orders and activity fund expenditures had supporting documentation that were not signed as received.

Criteria: Supporting documentation should be signed or initialed and dated by a receiving agent of the District to signify that the goods or services have been received and payment can be made.

Effect: Invoices could be paid without goods or services being received.

Recommendation: That all invoices and/or delivery tickets be initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 § 310.1a and 70 O.S. 1981 § 5-135C)

20-02 – Activity Fund Reconciliation

Condition: The accounting software report for the activity fund was not reconciled to the bank statements at the end of the fiscal year. The activity fund underreported cash by $2,776.65 at June 30, 2020.

Criteria: Software reports should be on hand that reconcile to the bank statements on a monthly basis.

Effect: The sponsors for the activity fund may have received an incorrect balance in regards to their subaccounts and would not be made aware of the error until the bank statement is properly reconciled.

Recommendation: That the activity fund custodian prepares a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and that this amount is balanced to the software on a monthly basis.

Findings – Financial Statement Audit – contd.

20-03 – Purchase Orders

Condition: We observed several instances of purchase orders from the general and building funds that did not have documentation in the files to adequately support the expenditures.

Criteria: Purchase orders should have some kind of supporting documentation that explains the purpose of the expenditure, when it was purchased, and a detailed list of the items purchased on the invoice(s) that can be correlated back to the amount of the payment.

Effect: Lack of documentation of expenditures could result in double payments for expenditures, approval of illegal expenditures, and/or incorrect coding if the supporting documentation does not properly explain what exactly was purchased.

Recommendation: The Encumbrance Clerk maintain adequate supporting documentation for all expenditures made out of the appropriated funds.

20-04 – Payroll Contracts

Condition: We were unable to observe an extra-duty contract or board-approved rate for $4,000 of compensation paid to the Encumbrance Clerk for cleaning duties.

Criteria: All employees should be paid based on a board-approved contract, rate schedule, or extra-duty contract.

Effect: The District could pay an amount that is not approved by the Board of Education and not on the personnel report submitted to the State Department of Education.

Recommendation: That copies of all employee contracts be maintained and that a reconciliation between the payroll authorization report and the contract be made at the beginning of the year to ensure that the employees are being paid according to their contract. Any additional pay should also be approved by the board with the use of an extra-duty contract or board-approved pay scale for certain duties.

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2019 TO JUNE 30, 2020

Findings – Financial Statement Audit – contd.

20-05 – Activity Fund Deposits

Condition: It appeared the Activity Fund Custodian and activity sponsors were not issuing receipts to individuals for cash collections from pre-numbered receipt books.

Criteria: Pre-numbered receipts should be issued to individuals any time cash or checks change hands.

Effect: Without the use of proper receipting procedures, the District has no ability to track and insure the complete and timely deposit of activity fund collections.

Recommendation: The Activity Fund custodian and sponsors should issue receipts from a pre-numbered receipt book each time cash or checks change hands to ensure complete and timely deposit of activity fund collections.

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2019 TO JUNE 30, 2020

19-01 – Signed as Received

The finding regarding support for expenditures not being signed as received appeared to continue in the 2019-20 fiscal year.

19-02 – Activity Fund Expenditures

The finding regarding inadequate supporting documentation for Activity Fund expenditures appeared to have improved during the 2019-20 fiscal year.

19-03 – Activity Fund

The finding regarding the activity fund not being reconciled to the bank statement at the end of the fiscal year continued and was not reconciled at the end of the 2019-20 fiscal year.

19-04 – Purchase Orders

Purchase orders from appropriated funds were missing adequate supporting documentation during the 2018-19 fiscal year and this issue continued during the 2019-20 fiscal year.

19-05 – Payroll Contracts

Several payroll contracts were not able to be observed during the 2018-19 fiscal year. All contracts requested were observed during the 2019-20 fiscal year, however, the Encumbrance Clerk was paid compensation that did not appear to have a board-approved contract or rate schedule.

19-06 – Payroll Tax Payments

Several payroll-related payments from the 2017-18 fiscal year were observed to have been on the outstanding checks listing as of June 30, 2019. These checks appear to have been cleared or corrected during the 2019-20 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-112, POTTAWATOMIE COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2019 TO JUNE 30, 2020

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm representative 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 Asher School District for the audit year 2019-20.

Jenkins & Kemper, CPAs, P.C.
AUDITING FIRM

BY _____
AUTHORIZED AGENT

Subscribed and sworn to before me on this
23 day of, April, 2021

_____
NOTARY PUBLIC

NOTARY SEAL PUBLIC
CHELESEA CHADWICK
Notary Public in and for the
State of Oklahoma
Commission #15006700
My Commission expires 7/20/2023