

**AUDITED FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**BLACKWELL SCHOOL DISTRICT NO. I-45,
KAY COUNTY, OKLAHOMA**

JUNE 30, 2020



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**INDEPENDENT SCHOOL DISTRICT NO. I-45
KAY COUNTY, OKLAHOMA
JUNE 30, 2020**

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KAY COUNTY, OKLAHOMA
JUNE 30, 2020**

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**INDEPENDENT SCHOOL DISTRICT NO. I-45
KAY COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020**

BOARD OF EDUCATION

President	Kathleen Brown
Vice-President	Phil Green
Clerk	Doug Hodges
Member	Angie Prince
Member	Stacey Husted

SUPERINTENDENT OF SCHOOLS

Rod Reese

TREASURER

Shara Bookout

MINUTES CLERK

Rhonda Buesing



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Blackwell School District No. I-45
Blackwell, Oklahoma 74631-2909

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Blackwell School District No. I-45, Blackwell, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Blackwell School District No. I-45, 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.

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 Blackwell School District No. 1-45, Kay 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 as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

October 8, 2020

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2020

ASSETS	GOVERNMENTAL FUND TYPES					FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMO ONLY)
	SPECIAL		DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST AND AGENCY FUND			
	GENERAL	REVENUE						
Cash	\$	2,588,015	614,468	78,419	17,195	296,885	21,985	3,594,982
Amounts available in debt service								21,985
Amounts to be provided for retirement of general long-term debt								
Total Assets		2,588,015	614,468	78,419	17,195	296,885	3,608,889	3,608,889
							3,630,874	7,225,856

LIABILITIES AND FUND BALANCES

Liabilities								
Warrants payable	256,087	32,905						288,992
Encumbrances	11,944							11,944
Funds held for school organizations					266,382			266,382
Unmatured obligations			56,434					56,434
Long-term debt:								
Bonds payable								
Capital leases								
Total liabilities	268,031	32,905	56,434		266,382	1,040,000	2,590,874	4,254,626
Fund balances								
Restricted for:								
Capital projects				17,195				17,195
Gifts					30,503			30,503
Debt service			21,985					21,985
Co-Op		9,255						9,255
Child nutrition		168,494						168,494
Building		403,814						403,814
Unassigned	2,319,984							2,319,984
Total fund balances	2,319,984	581,563	21,985	17,195	30,503			2,971,230
Total liabilities and fund balances	\$ 2,588,015	614,468	78,419	17,195	296,885	3,630,874		7,225,856

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

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH
FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2020

	GOVERNMENTAL FUND TYPES			CAPITAL PROJECTS	FIDUCIARY FUND TYPES	TOTALS (MEMO ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE		EXPENDABLE TRUST	
Revenues						
Local sources	\$ 1,612,911	314,014	921,587			2,848,512
Intermediate sources	377,893					377,893
State sources	6,907,385	59,815	1,023			6,968,223
Federal sources	798,888	469,077				1,267,965
Non-revenue receipts	16,549	55,615	78			72,242
Total revenues	9,713,626	898,521	922,688		-	11,534,835
Expenditures						
Instruction	6,025,744	53,376		23,468		6,102,588
Support services	3,565,571	67,860			145	3,633,576
Operation of non-instructional services		501,828				501,828
Facilities, acquisition and const. services	900	147,089		780,000		927,989
Other outlays	13,464	80				13,544
Repayments		5,686				5,686
Debt service			938,632			938,632
Total expenditures	9,605,679	775,919	938,632	803,468	145	12,123,843
Revenues over (under) expenditures	107,947	122,602	(15,944)	(803,468)	(145)	(589,008)
Other financing sources (uses)						
Inter-fund transfers		(621)		621		-
Lapsed appropriations	4,460	250				4,710
Estopped warrants	56					56
Bond proceeds				780,000		780,000
Total other financing sources (uses)	4,516	(371)		780,621		784,766
Revenue and other sources over (under) expenditures and other uses	112,463	122,231	(15,944)	(22,847)	(145)	195,758
Cash fund balance, beginning of year	2,207,521	459,332	37,929	40,042	30,648	2,775,472
Cash fund balance, end of year	\$ 2,319,984	581,563	21,985	17,195	30,503	2,971,230

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY 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	\$ 1,413,798	1,413,798	1,612,911
Intermediate sources	338,985	338,985	377,893
State sources	6,655,223	6,655,223	6,907,385
Federal sources	632,000	632,000	798,888
Non-revenue receipts			16,549
Total revenues	9,040,006	9,040,006	9,713,626
Expenditures			
Instruction	5,975,860	5,975,860	6,025,744
Support services	3,751,254	3,751,254	3,565,571
Facilities, acquisition and const. services	5,500	5,500	900
Other outlays	97,500	97,500	13,464
Non-categorical	1,417,413	1,417,413	
Total expenditures	11,247,527	11,247,527	9,605,679
Revenues over (under) expenditures	(2,207,521)	(2,207,521)	107,947
Other financing sources (uses)			
Lapsed appropriations			4,460
Estopped warrants			56
Total other financing sources (uses)			4,516
Revenue and other sources over (under) expenditures and other uses	(2,207,521)	(2,207,521)	112,463
Cash fund balance, beginning of year	2,207,521	2,207,521	2,207,521
Cash fund balance, end of year	\$ -	-	2,319,984

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY 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	\$ 202,083	202,083	314,014
State sources	54,541	56,600	59,815
Federal sources	435,018	447,107	469,077
Non-revenue receipts	71,056	71,056	55,615
Total revenues	<u>762,698</u>	<u>776,846</u>	<u>898,521</u>
Expenditures			
Instruction	43,238	57,386	53,376
Support services	38,431	38,431	67,860
Operation of non-instructional services	408,443	408,443	501,828
Facilities, acquisition and const. services	376,250	376,250	147,089
Other outlays	100	100	80
Repayments	6,000	6,000	5,686
Non-categorical	349,568	349,568	
Total expenditures	<u>1,222,030</u>	<u>1,236,178</u>	<u>775,919</u>
Revenues over (under) expenditures	(459,332)	(459,332)	122,602
Other financing sources (uses)			
Inter-fund transfers			(621)
Lapsed appropriations			250
Total other financing sources (uses)			<u>(371)</u>
Revenue and other sources over (under) expenditures and other uses	(459,332)	(459,332)	122,231
Cash fund balance, beginning of year	<u>459,332</u>	<u>459,332</u>	<u>459,332</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>581,563</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY 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	\$ 900,703	900,703	921,587
State sources			1,023
Non-revenue receipts			78
Total revenues	<u>900,703</u>	<u>900,703</u>	<u>922,688</u>
Expenditures			
Other outlays			
Debt service	<u>938,632</u>	<u>938,632</u>	<u>938,632</u>
Revenues over (under) expenditures	(37,929)	(37,929)	(15,944)
Cash fund balance, beginning of year	<u>37,929</u>	<u>37,929</u>	<u>37,929</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>21,985</u>

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-45, KAY 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 Blackwell Public Schools Independent District No. I-45 (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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

B. Fund Accounting - contd.

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.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

B. Fund Accounting - contd.

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, worker's compensation fund and the insurance recovery fund. The District maintained a Gifts Fund 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 worker's compensation fund accounts for revenues and expenditures for worker's 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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

B. *Fund Accounting* - contd.

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.
- 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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

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; 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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

E. Assets, Liabilities and Fund Balances – contd.

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.

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).

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

E. Assets, Liabilities and Fund Balances – contd.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

F. Revenue and Expenditures- contd.

1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

F. Revenue and Expenditures- contd.

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures - contd.

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 operating 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 \$3,594,982 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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

2. Deposits and Investments – contd.

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 were 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 can be 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.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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

General long-term debt of the District consists of building bonds payable and two (2) capital leases. 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	\$ 1,165,000	3,399,547	4,564,547
Additions	780,000	-	780,000
Retirements	905,000	808,673	1,713,673
Balance, June 30, 2020	<u>\$ 1,040,000</u>	<u>2,590,874</u>	<u>3,630,874</u>

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2019, original issue \$780,000, interest rate of 3.150%, due one installment of \$780,000 on 7/1/2020;	\$ 780,000
Comb. Purpose Bonds, Series 2017, original issue \$510,000, interest rate of 2.0%, due in annual installments of \$125,000, beginning 6/1/19, final payment of \$135,000 on 6/1/22;	260,000
<u>Capital Leases</u>	
Lease purchase for various equipment, dated 9-1-07, totaling \$9,355,000, interest rate of 4.0%, due in semi-annual installments in various amounts beginning 9-1-08, with the final payment due 9-1-21;	\$ 2,365,000

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

3. General Long-term Debt – contd.

	<u>Amount outstanding</u>
Lease purchase for new elevator, dated 9-1-11, totaling \$475,000, interest rate of 6.25%, due in annual principal and interest installments of varying amounts, beginning 9-1-12, with the final payment due 9-1-21;	\$ 102,346
Lease purchase for roof repair, dated 9-1-17, totaling \$200,000, interest rate of 3.0%, due in annual principal and interest installments of \$43,671, beginning 9-1-18, with the final payment due 9-1-22;	<u>123,528</u>
Total	<u>\$ 3,630,874</u>

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

Year ending June 30	Principal	Interest	Total
2021	\$ 125,000	24,700	149,700
2022	915,000	22,200	937,200
Totals	<u>\$ 1,040,000</u>	<u>46,900</u>	<u>1,086,900</u>

There was \$56,840 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for capital lease principal, and interest are as follows:

Year ending June 30	Principal	Interest	Total
2021	\$ 840,699	104,702	945,401
2022	1,707,776	70,333	1,778,109
2023	42,399	1,272	43,671
Totals	<u>\$ 2,590,874</u>	<u>176,307</u>	<u>2,767,181</u>

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

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.

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 \$7,943,825.

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,

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

4. Employee Retirement System

Funding Policy – cont'd

2010, the District and State were required to contribute 14.5% 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 \$585,553, \$570,085, and \$483,502 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 STATEMENT**

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2020

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>CO-OP FUND</u>	<u>TOTALS (MEMO ONLY)</u>
Cash	\$ 436,523	168,494	9,451	614,468
Total assets	<u>436,523</u>	<u>168,494</u>	<u>9,451</u>	<u>614,468</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Warrants payable	<u>32,709</u>		<u>196</u>	<u>32,905</u>
Fund balances				
Restricted	<u>403,814</u>	<u>168,494</u>	<u>9,255</u>	<u>581,563</u>
Total liabilities and fund balances	<u>\$ 436,523</u>	<u>168,494</u>	<u>9,451</u>	<u>614,468</u>

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2020

	BUILDING FUND	CHILD NUTRITION FUND	CO-OP FUND	TOTALS (MEMO ONLY)
Revenues				
Local sources	\$ 313,707	207	100	314,014
State sources	259	5,550	54,006	59,815
Federal sources		456,988	12,089	469,077
Non-revenue receipts		55,615		55,615
Total revenues	<u>313,966</u>	<u>518,360</u>	<u>66,195</u>	<u>898,521</u>
Expenditures				
Instruction			53,376	53,376
Support services	61,417		6,443	67,860
Operation of non-instructional services		501,828		501,828
Facilities, acquisition and const. services	147,089			147,089
Other outlays		80		80
Repayments		5,686		5,686
Total expenditures	<u>208,506</u>	<u>507,594</u>	<u>59,819</u>	<u>775,919</u>
Revenues over (under) expenditures	105,460	10,766	6,376	122,602
Other financing sources (uses)				
Inter-fund transfers	(621)			(621)
Lapsed appropriations	250			250
Total other financing sources (uses)	<u>(371)</u>			<u>(371)</u>
Revenue and other sources over (under) expenditures and other uses	105,089	10,766	6,376	122,231
Cash fund balance, beginning of year	<u>298,725</u>	<u>157,728</u>	<u>2,879</u>	<u>459,332</u>
Cash fund balance, end of year	<u>\$ 403,814</u>	<u>168,494</u>	<u>9,255</u>	<u>581,563</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY 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			CHILD NUTRITION FUND			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues									
Local sources	\$ 202,083	202,083	313,707			207			100
State sources			259	4,541	4,541	5,550	50,000	52,059	54,006
Federal sources				435,018	435,018	456,988		12,089	12,089
Non-revenue receipts				71,056	71,056	55,615			
Total revenues	202,083	202,083	313,966	510,615	510,615	518,360	50,000	64,148	66,195
Expenditures									
Instruction							43,238	57,386	53,376
Support services	28,790	28,790	61,417				9,641	9,641	6,443
Operation of non-instructional services									
Facilities, acquisition and const. services	376,250	376,250	147,089	408,443	408,443	501,828			
Other outlays				100	100	80			
Repayments				6,000	6,000	5,686			
Non-categorical	95,768	95,768		253,800	253,800				
Total expenditures	500,808	500,808	208,506	668,343	668,343	507,594	52,879	67,027	59,819
Revenues over (under) expenditures	(298,725)	(298,725)	105,460	(157,728)	(157,728)	10,766	(2,879)	(2,879)	6,376
Other financing sources (uses)									
Inter-fund transfers			(621)						
Lapsed appropriations			250						
Total other financing sources (uses)			(371)						
Revenue and other sources over (under) expenditures and other uses	(298,725)	(298,725)	105,089	(157,728)	(157,728)	10,766	(2,879)	(2,879)	6,376
Cash fund balance, beginning of year	298,725	298,725	298,725	157,728	157,728	157,728	2,879	2,879	2,879
Cash fund balance, end of year	\$ -	-	403,814	-	-	168,494	-	-	9,255

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	31 BUILDING BOND FUND	32 TRANSPORT. BOND FUND	38 BUILDING BOND FUND	TOTALS (MEMO ONLY)
Expenditures				
Instruction	23,468			23,468
Facilities, acquisition and const. services			780,000	780,000
Total expenditures	<u>23,468</u>		<u>780,000</u>	<u>803,468</u>
Revenues over (under) expenditures	(23,468)		(780,000)	(803,468)
Other financing sources (uses)				
Inter-fund transfers	621			621
Bond sales proceeds			780,000	780,000
Total other financing sources (uses)	<u>621</u>		<u>780,000</u>	<u>780,621</u>
Revenue and other sources over (under) expenditures and other uses	(22,847)		-	(22,847)
Cash fund balance, beginning of year	<u>22,847</u>	<u>17,195</u>	<u>-</u>	<u>40,042</u>
Cash fund balance, end of year	<u><u>\$ -</u></u>	<u><u>17,195</u></u>	<u><u>-</u></u>	<u><u>17,195</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCES - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2020

	EXPENDABLE TRUST FUND	AGENCY FUNDS	
	GIFTS FUND	ACTIVITY FUNDS	TOTAL (MEMO ONLY)
<u>ASSETS</u>			
Cash	\$ 30,503	266,382	296,885
Total assets	<u>30,503</u>	<u>266,382</u>	<u>296,885</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Funds held for school organizations		266,382	266,382
Total liabilities		<u>266,382</u>	<u>266,382</u>
Fund Balances			
Cash fund balances	<u>30,503</u>	<u>-</u>	<u>30,503</u>
Total Liabilities and Fund Balances	<u>\$ 30,503</u>	<u>266,382</u>	<u>296,885</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Balance <u>July 1, 2019</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Assets					
Cash	<u>\$ 187,962</u>	<u>579,692</u>	<u>-</u>	<u>501,272</u>	<u>266,382</u>
Liabilities					
Funds held for student organizations					
High School					
Class of 2019	1,061	-	(1,061)	-	-
Class of 2020	1,529	550		1,015	1,064
Class of 2021	1,852	8,598		7,365	3,085
Class of 2022	646	45		-	691
Class of 2023	-	-	1,061	-	1,061
Yearbook	11,676	8,510		7,683	12,503
Art	403	-		-	403
Athletics	34,741	121,659		117,044	39,356
Band	1,750	8,500		9,007	1,243
Cheerleaders	1,339	1,150		489	2,000
Child Nutrition	-	11,922		11,922	-
Concessions I	1,190	-		-	1,190
Concessions II	12,633	16,814		14,125	15,322
Driver Ed	-	3,450		3,450	-
Extended Studies	292	-		-	292
FFA	11,873	39,489		37,889	13,473
FCCLA	1,096	2,618		911	2,803
Journalism	83	-		-	83
Ind Arts Wood	6,816	8,870		8,967	6,719
Life Skills	675	417		941	151
Library & Misc	130	191		223	98
Pep Club	1,407	1,845		1,598	1,654
NHS	-	168		168	-
Graduation	589	-		-	589
Student Assistance	323	90		90	323
Student Council	8,960	11,961		10,868	10,053
Textbook Repl	-	25		25	-
Vocal	5,371	1,800		1,033	6,138
Drama	809	-		-	809
Grants/ Donations	6,439	15,215		15,231	6,423
Middle School					
Grants/ Donations	-	13,576		10,596	2,980
Life Skills	386	405		496	295
FACS/FCCLA	1,542	100		75	1,567
TSA/Gateway	10,250	28,745		23,892	15,103
Library	573	629		836	366
Yearbook	720	12,359		12,649	430
Student Council	4,232	8,390		9,266	3,356
Cheerleaders	982	-		168	814
Concession	1,846	58,728		17,090	43,484
Child Nutrition Students	-	14,104		14,104	-
Student Assistance	95	-		19	76
Quiz Bowl	<u>\$ 156</u>	<u>262</u>		<u>150</u>	<u>268</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Balance <u>July 1, 2019</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Elementary					
Child Nutrition	\$ -	33,240		33,240	-
PTA Fundraiser	6,801	32,606		36,606	2,801
Memory Books	705	891		-	1,596
Memorial Fund	215	-		-	215
Misc	27,987	99,713		74,764	52,936
Ice Cream Sales	5,128	9,096		14,005	219
Student Assignemt Books	916	-		456	460
School Picture Account	3,056	610		-	3,666
Special Ed	1,759	545		117	2,187
T-Shirt	6,930	1,806		2,699	6,037
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 187,962</u>	<u>579,692</u>	<u>-</u>	<u>501,272</u>	<u>266,382</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VI-Part A, Indian Education	84.060	561	\$ 49,967		49,967	49,967	
Subtotal - Direct Programs			<u>49,967</u>	<u>-</u>	<u>49,967</u>	<u>49,967</u>	<u>-</u>
<u>Passed Through State Department of Education:</u>							
* Title I-Part A Cluster:							
Title I-Part A, Improving Basic Programs	84.010	511	352,210		264,550	269,326	(4,776)
Title II-Transferability	84.367	541/511	32,000		32,000	32,000	
Subtotal - Title I Programs (Cluster)			<u>384,210</u>	<u>-</u>	<u>296,550</u>	<u>301,326</u>	<u>(4,776)</u>
Title II-Part A, Teacher & Principal Training	84.367	541	83,986		30,488	50,831	(20,343)
Title II-Part A 2018-19	84.367	799		(1,853)	1,853		
Title III-Part A, English Lang. Acquisition	84.365	572	16,475		15,478	15,478	
Title III-Part A, English Lang. Acquisition 2018-19	84.365	799		(12,089)	12,089		
Title IV-SSAE Grant	84.424A	552	25,087		500	500	(45)
Title V-RLIS Program	84.358	587	46,533		33,298	33,343	
Title V-RLIS Program 2018-19	84.358	799		(1,747)	1,747		
<u>Special Education Cluster:</u>							
IDEA-B Prof. Dev-SDE	84.027	613	684		499	684	(185)
IDEA-B Prof. Dev-SDE 2018-19	84.027	799		(441)	441		
IDEA-B Prof. Dev-District	84.027	615	4,972		3,707	4,972	(1,265)
IDEA-B Prof. Dev-District 2018-19	84.027	799		(3,001)	3,001		
IDEA-B Flowthrough	84.027	621	269,023		239,438	239,438	
IDEA-B Flowthrough 2018-19	84.027	799		(86,370)	86,370		
IDEA-B Preschool	84.173	641	8,414		8,414	8,414	
IDEA-B Preschool 2018-19	84.173	799		(1,944)	1,944		
Subtotal - Special Education Program (Cluster)			<u>283,093</u>	<u>(91,756)</u>	<u>343,814</u>	<u>253,508</u>	<u>(1,450)</u>
Subtotal - Passed Through State Dept of Education			<u>839,384</u>	<u>(107,445)</u>	<u>735,817</u>	<u>654,986</u>	<u>(26,614)</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048	421	\$ 17,456		17,457	17,457	

INDEPENDENT SCHOOL DISTRICT NO. 1-45, KAY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/1/2019</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2020</u>
U.S. Department of Agriculture: Passed Through State Department of Education: * Child Nutrition Cluster:							
Cash Assistance:							
National School Lunch Program	10.555	763			310,526	310,526	
School Breakfast Program	10.553	764			122,205	122,205	
Cash Assistance Subtotal				-	432,731	432,731	-
Passed Through State Department of Human Services:							
Non-cash Assistance (Commodities)	10.555	N/A			39,467	39,467	
Subtotal - Child Nutrition Program (Cluster)				-	472,198	472,198	-
Passed Through State Department of Education:							
Fresh Fruit & Vegetable Program	10.582	768			24,257	24,257	
Other Federal Assistance:							
OJT-Rehabilitation Services	84.126	456	\$ 7,620	(1,088)	7,239	7,620	(1,469)
Flood Control	12.112	770	496	1,570	497		2,067
Subtotal - Other Federal Assistance			8,116	482	7,736	7,620	598
Total Federal Assistance			\$ 914,923	(106,963)	1,307,432	1,226,485	(26,016)

* Major federal programs

Note 1 - Commodities received by the District in the amount of \$39,467 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 - The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements. These expenditures are recognized following the cost principles contained in the Uniform Guidance. The District has also elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Expenditures under the Title I Program cluster includes \$32,000 in Title II-Part A funds that were transferred to the Title I-Part A program.

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual	Superintendent	601082823	\$100,000	8/19/19-8/19/20
	Treasurer	32S516071	\$100,000	9/9/19-9/9/20
Western Surety Company	Encumbrance Clerk	71602566	\$99,000	12/12/19-12/12/20
	Activity Fund Custodian HS	71602566	\$100,000	12/12/19-12/12/20
	Activity Fund Custodian MS	71602566	\$15,000	12/12/19-12/12/20
	Activity Fund Custodian ES	71602566	\$20,000	12/12/19-12/12/20
	Minutes Clerk	71602566	\$99,000	12/12/19-12/12/20
	Payroll Clerk	71602566	\$99,000	12/12/19-12/12/20



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
Blackwell School District No. I-45
Blackwell, Oklahoma 74631-2909

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 Blackwell School District No. I-45, Blackwell, 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 October 8, 2020. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, there were two (2) immaterial observations included in a separate letter to management.

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.

October 8, 2020



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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

The Honorable Board of Education
Blackwell School District No. I-45
Blackwell, Oklahoma 74631-2909

Report on Compliance for Each Major Federal Program

We have audited the compliance of Blackwell School District No. I-45, Blackwell, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (The Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Blackwell District No. I-45, Blackwell, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

The management of Blackwell District No. I-45, Blackwell, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

October 8, 2020

INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2019 TO JUNE 30, 2020

Summary of Auditor's Results

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under the Uniform Guidance.
7. Identification of Major Programs: Child Nutrition (10.553,10.555) and Title I (84.010,84.367) programs, which were clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The District did not qualify to be a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2019 TO JUNE 30, 2020**

None.

**INDEPENDENT SCHOOL DISTRICT NO. I-45, KAY COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2019 TO JUNE 30, 2020**

State of Oklahoma)
County of Tulsa)

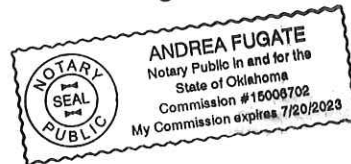
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Blackwell School District for the audit year 2019-20.

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

BY *Justin Jenkins*
AUTHORIZED AGENT

Subscribed and sworn to before me on this
8th day of, October, 2020

Andrea Fugate
NOTARY PUBLIC



Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name Blackwell School District

District Number L-45

County Name Kay

County Code 36

Audit Year: 2019-2020

The annual independent audit for the Blackwell School District

was presented to the Board of Education in an Open Board Meeting on 10/12/2020
(District Name) (Date of Meeting)

by Jenkins & Kemper, CPAs, P.C. *Michael M. Jenkins*
(Independent Auditor) (Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Kathleen Brown
Superintendent, Signature

Kathleen Brown
Board of Education President, Signature

Board of Education Vice President, Signature

Doug
Board of Education Vice President, Signature

Board of Education Member, Signature

Angie Prince
Board of Education Member, Signature

Board of Education Member, Signature

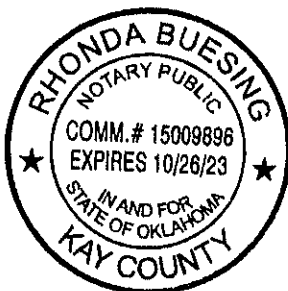
Stacy Foster
Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature

Board of Education Member, Signature



Subscribed and sworn before me on October 12, 2020 My Commission expires 10-26-2023
(Sworn On)

Rhonda Buesing
(Notary Public)



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

October 8, 2020

Blackwell Public Schools
Attn: Mr. Shawn Haskins
201 E Blackwell Ave
Blackwell, OK 74631-2909

Dear Mr. Haskins:

Listed below are management recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will upload a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains recommendations relayed to management that are immaterial observations which are not included in the audit report. These comments require a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

During the audit, we observed the District purchased gift cards with activity funds. The checks that made these purchases were:

Elementary Activity Fund check # 3360, 3398, 3427 totaling \$350 in cards
High School Activity Fund check # 19704, 19766, 19871 totaling \$190 in cards

We recommend, based on guidance from the Oklahoma State Department of Education, that the District refrain from purchasing gift cards since they are considered a cash equivalent and are at higher risk for misuse.

During the audit, we also observed when testing High School Activity Fund receipts to deposits, three of the nine deposits tested were not deposited in a timely manner. All three deposits were deposited more than ten days late, based on the dates recorded on the corresponding receipts.

We recommend the Activity Fund Custodian deposit amounts above \$100 within 24 hours and amounts under \$100 at least once a week, as required by Oklahoma Statutes.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.