

REPORT OF AUDIT  
CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

OFFICIALS

KORY LITTLEFIELD	PRESIDENT
DESIREE GIBSON	VICE-PRESIDENT
AMBER K. WILHITE	CLERK
SHANE PARKER	MEMBER
KURTIS GOODWIN	MEMBER
AMANTHA SANBORN	TREASURER
BRYCE SCHANBACHER	SUPERINTENDENT

AUDIT BY

PATRICK W. CARROLL  
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

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CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Cherokee School District #I-46  
Alfalfa County, Oklahoma

### Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Cherokee School District #I-46, Alfalfa County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by 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 adverse and qualified for our audit opinions.

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Cherokee School District #I-46, Alfalfa County, Oklahoma on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the 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 District as of June 30, 2021, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

**Basis for Qualified Opinion on Regulatory Basis of Accounting**

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

**Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph the combined 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 Cherokee School District #1-46, Alfalfa County, Oklahoma, as of June 30, 2021, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

**Other Matters**

**Other Information**

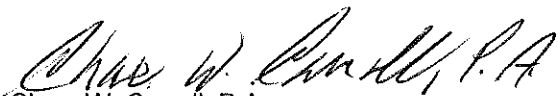
Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements-regulatory basis within the combined financial statements. The combining fund statements-regulatory basis and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements-regulatory basis of the District.

The combining statements-regulatory basis, and the other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis 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 other supplementary information, including the schedule of expenditures, of federal awards, are fairly stated in all material respects in relation to the combined financial statements-regulatory basis taken as a whole on the regulatory basis of accounting described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2022, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script, reading "Chas. W. Carroll, P.A.", written in black ink.

Chas. W. Carroll, P.A.  
April 4, 2022

**Cherokee School District No. I-46, Alfalfa County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**June 30, 2021**

EXHIBIT A

ASSETS	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
Cash and Cash Equivalents	\$ 47,752	\$ 124,154	\$ 0	\$ 466,862	\$ 193,636			\$ 832,403
Investments	0	51,347	0	0	0			51,347
Amounts Available in Debt Service Fund	0	0	0	0	0			0
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0		760,000	760,000
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0		0	0
<b>Total Assets</b>	<b>\$ 47,752</b>	<b>\$ 175,501</b>	<b>\$ 0</b>	<b>\$ 466,862</b>	<b>\$ 193,636</b>		<b>\$ 760,000</b>	<b>\$ 1,643,750</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Warrants Payable	\$ 146,688	\$ 41,344	\$ 0	\$ 0	\$ 22,324		0	\$ 210,356
Reserve for Encumbrances	15,968	0	0	0	0		0	15,968
Due to Activity Groups	0	0	0	0	171,312		0	171,312
Due to Building Fund	0	0	51,347	0	0		0	51,347
General Obligation Bonds Payable	0	0	0	0	0		760,000	760,000
Capitalized Lease Obligations Payable	0	0	0	0	0		0	0
<b>Total Liabilities</b>	<b>\$ 162,656</b>	<b>\$ 41,344</b>	<b>\$ 51,347</b>	<b>\$ 0</b>	<b>\$ 193,636</b>		<b>\$ 760,000</b>	<b>\$ 1,208,983</b>
<b>Fund Balances:</b>								
<b>Restricted For:</b>								
Debt Service	\$ 0	\$ 0	\$ (51,347)	\$ 0	\$ 0		0	\$ (51,347)
Capital Projects	0	0	0	466,862	0		0	466,862
Building Programs	0	91,610	0	0	0		0	91,610
Child Nutrition Programs	0	42,548	0	0	0		0	42,548
Cooperative Programs	0	0	0	0	0		0	0
Unassigned	(114,905)	0	0	0	0		0	(114,905)
<b>Total Fund Balances</b>	<b>\$ (114,905)</b>	<b>\$ 134,157</b>	<b>\$ (51,347)</b>	<b>\$ 466,862</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 434,767</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,752</b>	<b>\$ 175,501</b>	<b>\$ 0</b>	<b>\$ 466,862</b>	<b>\$ 193,636</b>		<b>\$ 760,000</b>	<b>\$ 1,643,750</b>

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

**Cherokee School District No. I-46, Alfalfa County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ended June 30, 2021**

**EXHIBIT B**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2021
<b>Revenue Collected:</b>					
Local Sources	\$ 1,309,936	\$ 208,191	\$ 774,040	\$ 0	\$ 2,292,167
Intermediate Sources	238,699	0	0	0	238,699
State Sources	1,909,778	15,745	0	0	1,925,522
Federal Sources	262,001	273,257	0	0	535,258
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 3,720,413</u>	<u>\$ 497,193</u>	<u>\$ 774,040</u>	<u>\$ 0</u>	<u>\$ 4,991,646</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 2,825,022	\$ 0	\$ 0	\$ 6,201	\$ 2,831,223
Support Services	1,858,022	183,031	0	174,800	2,215,854
Operation of Non-Instructional Services	125,632	289,171	0	0	414,803
Facilities Acquisition and Construction	0	0	0	752,650	752,650
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	755,000	0	755,000
Interest and Fiscal Agent Fees	0	0	40,015	0	40,015
<i>Total Expenditures Paid</i>	<u>\$ 4,808,677</u>	<u>\$ 472,202</u>	<u>\$ 795,015</u>	<u>\$ 933,651</u>	<u>\$ 7,009,545</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,088,263)</u>	<u>\$ 24,991</u>	<u>\$ (20,975)</u>	<u>\$ (933,651)</u>	<u>\$ (2,017,898)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 2,227	\$ 0	\$ 0	\$ 0	\$ 2,227
Bond Proceeds	0	0	0	760,000	760,000
Transfers In	202,393	0	0	0	202,393
Transfers Out	0	0	0	(200,000)	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 204,620</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 560,000</u>	<u>\$ 764,620</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (883,643)</u>	<u>\$ 24,991</u>	<u>\$ (20,975)</u>	<u>\$ (373,651)</u>	<u>\$ (1,253,278)</u>
<i>Fund Balance - Beginning of Year</i>	<u>768,739</u>	<u>109,166</u>	<u>(30,373)</u>	<u>840,513</u>	<u>1,688,045</u>
<i>Fund Balance - End of Year</i>	<u>\$ (114,905)</u>	<u>\$ 134,157</u>	<u>\$ (51,347)</u>	<u>\$ 466,862</u>	<u>\$ 434,767</u>

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

**Cherokee School District No. 1-46, Alfalfa County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ended June 30, 2021**

EXHIBIT C

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 1,374,168	\$ 1,374,168	\$ 1,309,936	\$ 187,497	\$ 187,497	\$ 208,191	\$ 825,388	\$ 825,388	\$ 774,040
Intermediate Sources	218,883	218,883	238,699	0	0	0	0	0	0
State Sources	1,954,566	2,020,004	1,909,778	2,153	2,153	15,745	0	0	0
Federal Sources	308,412	308,412	262,001	178,210	261,432	273,257	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 3,856,030</b>	<b>\$ 3,921,468</b>	<b>\$ 3,720,413</b>	<b>\$ 367,860</b>	<b>\$ 451,082</b>	<b>\$ 497,193</b>	<b>\$ 825,388</b>	<b>\$ 825,388</b>	<b>\$ 774,040</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 4,534,903	\$ 4,800,341	\$ 2,825,022	\$ 0	\$ 0	0	\$ 0	\$ 0	0
Support Services	89,866	89,866	1,858,022	253,902	253,902	183,031	0	0	0
Operation of Non-Instructional Services	0	0	125,632	223,157	306,379	289,171	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	795,015	795,015	795,015
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 4,624,769</b>	<b>\$ 4,890,207</b>	<b>\$ 4,808,677</b>	<b>\$ 477,059</b>	<b>\$ 560,281</b>	<b>\$ 472,202</b>	<b>\$ 795,015</b>	<b>\$ 795,015</b>	<b>\$ 795,015</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (768,739)</b>	<b>\$ (968,738)</b>	<b>\$ (1,088,263)</b>	<b>\$ (109,200)</b>	<b>\$ (109,200)</b>	<b>\$ 24,991</b>	<b>\$ 30,373</b>	<b>\$ 30,373</b>	<b>\$ (20,975)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 2,227	\$ 0	\$ 0	0	\$ 0	\$ 0	0
Transfers In	0	200,000	202,393	33	33	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 200,000</b>	<b>\$ 204,620</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (768,739)</b>	<b>\$ (768,738)</b>	<b>\$ (883,643)</b>	<b>\$ (109,166)</b>	<b>\$ (109,166)</b>	<b>\$ 24,991</b>	<b>\$ 30,373</b>	<b>\$ 30,373</b>	<b>\$ (20,975)</b>
<b>Fund Balance - Beginning of Year</b>	<b>768,739</b>	<b>768,739</b>	<b>768,739</b>	<b>109,166</b>	<b>109,166</b>	<b>109,166</b>	<b>(30,373)</b>	<b>(30,373)</b>	<b>(30,373)</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (114,905)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 134,157</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (51,347)</b>

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

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Significant Accounting Policies

The financial statements of the Cherokee School District #I-46 have been prepared in conformity with an other comprehensive basis of accounting required by Oklahoma Statutes. 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 oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. 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 re-reporting entity.

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 two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Fund Description

The following funds are utilized by the Cherokee School District #I-46.

Governmental Fund Types -

General Fund  
Special Revenue Funds  
Debt Service Fund  
Capital Project Fund

Fiduciary Fund Types –

Trust Funds  
Agency Fund

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

NOTES TO COMBINED FINANCIAL STATEMENTS

PAGE 2

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 ear-marked 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.

Special Revenue Funds – The Special Revenue Funds are the District's Building Fund and Child Nutrition Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund derives monies from the sale of foods and federal and state program reimbursements. Expenditures include costs associated with daily operations of the District's nutrition program.

Debt Service Fund - The Debt Service Fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Project Funds – The Capital Project Funds are the District's Bond Funds and are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing, and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

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

Trust Funds – The Trust Funds are the Insurance Loss Fund which consists of money received for property loss or damage and is used for the purpose of repairing or replacing properties damaged or lost and the Gift Fund which consists of donations for the purpose of educational enhancement.

Agency Fund – The Agency Fund is the school Activity Fund which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing, and accounting for these activity funds. The school Activity Funds can include money which is received from the sale of foods through a school Lunch Fund.

Memorandum Only – Total Column

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

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 (OSDE). This format is essentially the generally accepted form of presentation used by State and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements–Management's Discussion and Analysis–for State and Local Governments. 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 as follows:

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which 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.

A budget is legally adopted by the Board of Education for the General Fund, Special Revenue Funds, and Debt Service Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund--is utilized in all governmental funds of the District.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

E. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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F. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits or United States Treasury Funds are maintained in NOW Checking Accounts or Savings Accounts.

Inventories

The value of consumable inventories at June 30, 2021 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The District does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Compensated Absences

The District has elected not to present a liability for compensated absences.

Operating Leases

The District has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the District does not consider the obligation to be for a period extending beyond the current fiscal year.

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 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.

General Long-Term Debt

a.) 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 from the date of issue. General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2021 is set forth below:

\$760,000.00 Taxable CP Building Bonds of 2020

Payment Date	Principal	Rate	Interest	Total
1 Jul 22	<u>\$760,000.00</u>	1.15%	<u>\$17,480.00</u>	<u>\$777,480.00</u>
	\$760,000.00		\$17,480.00	\$777,480.00

CHEROKEE SCHOOL DISTRICT #I-46  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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General Long-Term Debt

b.) The Alfalfa County Educational Facilities Authority (the "Authority") and the District have entered into a fully paid ground lease dated September 1, 2014, (the "Ground Lease"), whereby the District has leased to the Authority certain real property together with all improvements thereon and to be placed thereon for a term extending to September 1, 2022, and so long thereafter as any indebtedness of the Authority secured by its leasehold therein remains outstanding and unpaid. The Authority has sub-Leased the property covered by the Ground Lease to the District by a sub-lease dated June 30, 2014, (the "Sublease") which extends to June 30, 2015, and is renewable for successive one (1) year terms thereafter at the option of the district until the Series 2014 Bonds are paid. Failure to renew the Sublease will terminate the Sublease and all further options of the district to renew.

The voters of the District have approved the issuance of General Obligation Bonds for constructing acquiring and improving school sites, and acquiring school furniture, fixtures and equipment in the total amount of \$3,520,000.00. Those School District General Obligation Bonds will be issued in series over the life of the Authority's Series 2014 Bonds in amounts necessary to pay the maturing principal of the Authority's Series 2014 Bonds and will be utilized for that purpose by payment of the proceeds thereof as received to the Trustee Bank as rentals under the Sublease.

Upon the payment in full of the Series 2014 Bonds, the Sublease and the Ground Lease both will expire and possession of and title to the improvements will be vested in the District.

A repayment schedule of the outstanding capital lease obligations at June 30, 2021, is set forth below:

Schedule of Annual Rent & Acquisition Payments

<u>Date</u>	<u>Acquisition</u>	<u>Annual Fee</u>	<u>Total Payment Due</u>
9/1/2021	\$ 505,613.00	\$ 3,975.00	\$ 509,588.00
9/1/2022	508,613.00	495.00	509,108.00
	<u>\$1,014,226.00</u>	<u>\$ 4,470.00</u>	<u>\$1,018,696.00</u>

c.) The District entered into a lease/purchase agreement with Farmers Exchange Bank, Cherokee, Oklahoma for the purpose of completion of the Athletic Complex Equipment and improvements. The agreement was entered into on December 29, 2017, with an interest rate of 3.9%. Retirement of the debt will be made from the District's appropriated funds as per the following schedule.

Principal Balance December 29, 2017	\$5,465,000.00
Principal Payments FY '19-20	<u>190,658.89</u>
Principal Balance June 30, 2021	<u>\$5,274,341.11</u>

<u>Payment No.</u>	<u>Payment Date</u>	<u>Lease Payment</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Balance</u>
Lease					\$5,465,000.00
4	8/15/2021	250,000.00	203,062.13	46,937.87	\$5,227,403.24
5	8/16/2022	660,000.00	201,255.02	458,744.98	\$4,768,658.26
6	8/17/2023	750,000.00	183,593.34	566,406.66	\$4,202,251.60
7	8/18/2024	750,000.00	161,786.69	588,213.31	\$3,614,038.29
8	8/19/2025	750,000.00	139,140.47	610,859.53	\$3,003,178.76
9	8/20/2026	750,000.00	115,622.38	634,377.62	\$2,368,801.14
10	8/21/2027	2,460,000.00	91,198.86	2,368,801.14	\$0.00
		<u>\$6,370,000.00</u>	<u>\$1,095,658.89</u>	<u>\$5,274,341.11</u>	

CHEROKEE SCHOOL DISTRICT #1-46  
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Cash Fund Balance

Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

Safeguard of Deposits and Investments

The District's investments policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District Treasurer and Activity Fund Custodians are responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

The Building Fund has a \$51,347.00 investment on June 30, 2021. The funds are invested in the District Sinking Fund which had an under-collection of Ad Valorem taxes due to public service tax protests. A transfer of funds was made from the District Building Fund to the Sinking Fund for payment of bond interest coupons due June 30, 2021. The transfer is considered an investment in future Sinking Fund tax collections, from release of protested tax funds and tax levies.

Deposit and Investments - Custodian Credit Risk – The District's cash deposits and investments at June 30, 2021, were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name. The District's cash deposits and investments at June 30, 2021, are classified in the following categories:

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>Bank</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>Balance</u>
Cash and cash equivalents	\$443,636.27	\$393,889.43	\$ 0.00	\$837,525.70
Investments	0.00	0.00	0.00	0.00
Total	<u>\$443,636.27</u>	<u>\$393,889.43</u>	<u>\$ 0.00</u>	<u>\$837,525.70</u>

G. Revenue, Expenses and Expenditures

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 ear-marked 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 program. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Property Tax Revenue

The District is authorized by state law to levy property taxes which consists of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the 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.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Any legally authorized transfers are treated as operating transfers and are included in the results of the Government Funds. Transfers between the Agency Funds (Activity Funds) and the Governmental Fund Types (General Fund) are shown as operating transfers into the Governmental Fund Types (General Fund) only. No transfer is shown out from the Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

2. Risk Management

Liabilities Protection Plan

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

The School also participates in a risk pool for Workers' Compensation coverage in which there is transfer or pooling risks among the participants of that pool. In accordance with professional standards, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years.

OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public School Unemployment Compensation Program. In this program, the District is required to make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

NOTES TO COMBINED FINANCIAL STATEMENTS

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Surety Bonds

Amantha Sanborn, District Treasurer, is bonded with the Western Surety Company in the amount of \$100,000.00. The bond number is 71682519, dated June 30, 2020 and June 30, 2021 to and is renewed annually.

The District maintains a Public Employees Blanket Bond with the Western Surety Company in the amount of \$10,000.00 each position unless otherwise shown below. The bond number is 18228476, dated May 15, 2020 to May 15, 2022 and is renewed annually until canceled. The positions covered are as follows:

1. Activity Fund Custodian	\$ 10,000.00
2. Alternate Activity Fund Custodian	10,000.00
3. Lunch Fund Custodian	10,000.00
4. Alternate Lunch Fund Custodian	10,000.00
5. Minutes Clerk	10,000.00
6. Encumbrance Clerk	10,000.00
7. Superintendent	100,000.00

3. Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System.

The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A Participant with 5 years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2021. An additional 7.90% of compensation is required for federal grants. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating member is 7% up to a maximum compensation level.

The total contributions for employees of Cherokee School District #I-46 covered by the System for the year 2021, 2020 and 2019 were \$ 524,300.49, \$ 595,934.08 and \$ 552,373.67, respectively.

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 the 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 Oklahoma Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The system issues an independent financial report, financial statements and required supplementary information that may be obtained by writing to the Oklahoma Teacher's Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

#### 4. 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.

#### 5. Subsequent Events

Management has evaluated subsequent events through April 4, 2022, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**Cherokee School District No. I-46, Alfalfa County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**June 30, 2021**

**SCHEDULE A-1**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2021</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 59,496	\$ 64,658	\$ 124,154
Investments	<u>51,347</u>	<u>0</u>	<u>51,347</u>
<i>Total Assets</i>	<u>\$ 110,843</u>	<u>\$ 64,658</u>	<u>\$ 175,501</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Warrants Payable	\$ 19,233	\$ 22,110	\$ 41,344
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 19,233</u>	<u>\$ 22,110</u>	<u>\$ 41,344</u>
Fund Balances:			
Restricted	\$ 91,610	\$ 42,548	\$ 134,157
<i>Total Fund Balances</i>	<u>\$ 91,610</u>	<u>\$ 42,548</u>	<u>\$ 134,157</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 110,843</u>	<u>\$ 64,658</u>	<u>\$ 175,501</u>

**Cherokee School District No. 1-46, Alfalfa County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ended June 30, 2021**

**SCHEDULE B-1**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2021</u>
<b>Revenue Collected:</b>			
Local Sources	\$ 208,191	\$ 0	\$ 208,191
Intermediate Sources	0	0	0
State Sources	0	15,745	15,745
Federal Sources	0	273,257	273,257
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 208,191</u>	<u>\$ 289,002</u>	<u>\$ 497,193</u>
<b>Expenditures Paid:</b>			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	183,031	0	183,031
Operation of Non-Instructional Services	0	289,171	289,171
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 183,031</u>	<u>\$ 289,171</u>	<u>\$ 472,202</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 25,160</u>	<u>\$ (169)</u>	<u>\$ 24,991</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 25,160</u>	<u>\$ (169)</u>	<u>\$ 24,991</u>
<i>Fund Balance - Beginning of Year</i>	<u>66,450</u>	<u>42,716</u>	<u>109,166</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 91,610</u></u>	<u><u>\$ 42,548</u></u>	<u><u>\$ 134,157</u></u>

Cherokee School District No. 1-46, Alfalfa County, Oklahoma  
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
Budget and Actual - Regulatory Basis - Special Revenue Funds  
For the Year Ended June 30, 2021

SCHEDULE C-1

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 187,452	\$ 187,452	\$ 208,191	\$ 45	\$ 45	\$ 0	\$ 187,497	\$ 187,497	\$ 208,191
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	0	2,153	2,153	15,745	2,153	2,153	15,745
Federal Sources	0	0	0	178,210	261,432	273,257	178,210	261,432	273,257
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 187,452</b>	<b>\$ 187,452</b>	<b>\$ 208,191</b>	<b>\$ 180,408</b>	<b>\$ 263,630</b>	<b>\$ 289,002</b>	<b>\$ 367,860</b>	<b>\$ 451,082</b>	<b>\$ 497,193</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	253,902	253,902	183,031	0	0	0	253,902	253,902	183,031
Operation of Non-Instructional Services	0	0	0	223,157	306,379	289,171	223,157	306,379	289,171
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 253,902</b>	<b>\$ 253,902</b>	<b>\$ 183,031</b>	<b>\$ 223,157</b>	<b>\$ 306,379</b>	<b>\$ 289,171</b>	<b>\$ 477,059</b>	<b>\$ 560,281</b>	<b>\$ 472,202</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (66,450)</b>	<b>\$ (66,450)</b>	<b>\$ 25,160</b>	<b>\$ (42,750)</b>	<b>\$ (42,750)</b>	<b>\$ (169)</b>	<b>\$ (109,200)</b>	<b>\$ (109,200)</b>	<b>\$ 24,991</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
Excessed Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	33	33	0	33	33	0
Transfers Out	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ 0</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (66,450)</b>	<b>\$ (66,450)</b>	<b>\$ 25,160</b>	<b>\$ (42,716)</b>	<b>\$ (42,716)</b>	<b>\$ (169)</b>	<b>\$ (109,166)</b>	<b>\$ (109,166)</b>	<b>\$ 24,991</b>
<b>Fund Balance - Beginning of Year</b>	<b>66,450</b>	<b>66,450</b>	<b>66,450</b>	<b>42,716</b>	<b>42,716</b>	<b>42,716</b>	<b>109,166</b>	<b>109,166</b>	<b>109,166</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 91,610</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 42,548</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 134,157</b>

SCHEDULE D-1

CHEROKEE SCHOOL DISTRICT #1-46  
ALFALFA COUNTY - OKLAHOMA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - FIDUCIARY FUND  
07/01/20 TO 06/30/21

ACCOUNT	07/01/2020	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/21
ANNUAL/YEARBOOK	\$29,002.50	\$1,887.82	\$0.00	\$0.00	\$6,709.25	\$24,181.07
ATHLETICS	32,346.57	92,501.75	500.00		88,708.32	36,640.00
BAND	401.90	500.00			160.00	741.90
CONCESSION	6,027.11	44,956.20		82.11	44,160.35	6,905.07
FFA	24,767.76	72,901.72	236.00		83,419.94	14,485.54
FCCLA	12,019.57	20,303.26			18,095.51	14,227.32
ELEMENTARY	10,999.74	3,446.60		1,538.44	5,576.34	10,408.44
VOCAL MUSIC	0.00	0.00			0.00	0.00
HS CHEERLEADERS	2,050.59	3,649.85			3,198.72	2,501.72
STUDENT COUNCIL	909.38	90.50			347.69	652.19
MIDDLE SCHOOL CHEERLEADERS	1,470.74	2,473.78			3,627.44	317.08
FCA	2,301.45	1,180.00			200.00	3,281.45
INTEREST	0.00	319.72		(319.72)	0.00	0.00
SPEECH	1,298.11	284.68	35.00		834.00	783.79
LIBRARY	426.07	4,970.37			4,944.36	452.08
LUNCH	0.00	0.00			0.00	0.00
ELEMENTARY CHEERLEADERS	1,626.40	2,503.77		(1,620.55)	2,049.00	460.62
MUSIC	10,142.94	0.00			1,395.00	8,747.94
BEAUTIFICATION DONATIONS	1,276.29	0.00	40.99	984.45	995.94	1,305.79
ELEM A/R	1,685.97	1,000.00			98.98	2,586.99
WOODSHOP	0.00	500.00			0.00	500.00
HS ACADEMIC TEAM	8.56	607.61			275.00	341.17
CLASS OF 2020	35.75	0.00			0.00	35.75
CLASS OF 2019	664.73	0.00		(664.73)	0.00	0.00
THEATRE	1,189.74	500.00	550.12		1,512.48	727.38
CLASS OF 2021	3,511.23	0.00			3,293.09	218.14
ELEMENTARY ATHLETICS	8,163.73	0.00			2,970.18	5,193.55
CLASS OF 2022	7,601.82	1,762.73			6,084.98	3,279.57
CLASS OF 2023	3,700.19	9,807.98			5,217.50	8,290.67
TECHNOLOGY	7,034.23	3,785.00			5,090.19	5,729.04
REITZ DONATIONS	1,801.19	1,000.00			474.03	2,327.16
CLASS OF 2024	2,201.26	651.24			0.00	2,852.50

CONTINUED ON PAGE 2

CHEROKEE SCHOOL DISTRICT #1-46  
ALFALFA COUNTY - OKLAHOMA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - FIDUCIARY FUND  
07/01/20 TO 06/30/21

ACCOUNT	07/01/2020	REVENUES	ADJUSTMENTS	TRANSFERS	EXPENDITURES	06/30/21
IMAGINATION LIBRARY	1,000.00	2,000.00			1,128.39	1,871.61
OUTDOOR CLASSROOM	142.04	0.00			0.00	142.04
CLASS OF 2025	3,045.31	1,469.24			255.15	4,259.40
HS AR REWARDS	107.86	0.00			0.00	107.86
SCOREBOARD FUND	5,000.00	0.00			5,000.00	0.00
AFTER PROM PROGRAM	1,253.35	75.00			0.00	1,328.35
CLASS OF 2026	1,775.28	6,170.66			3,385.99	4,559.95
CLASS OF 2027	0.00	868.38			0.00	868.38
TOTALS	\$186,989.36	\$282,167.86	\$1,362.11	\$0.00	\$299,207.82	\$171,311.51

## SCHEDULE D-2

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY - OKLAHOMA  
COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
FUND EQUITY - REGULATORY BASIS - FIDUCIARY FUND  
07/01/20 TO 06/30/21

DEPOSITORY	DETAIL	TOTALS
CASH	<u>\$193,636.27</u>	
TOTAL DEPOSITORY		<u><u>\$193,636.27</u></u>
FUND		
LEDGER BALANCE	\$171,311.51	
ADD: 2020-21 OUTSTANDING	\$22,309.76	
2019-20 OUTSTANDING	<u>15.00</u>	
TOTAL FUND BALANCE		<u><u>\$193,636.27</u></u>

CHEROKEE SCHOOL DISTRICT #1-46  
ALFALFA COUNTY - OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
ALLOCATIONS & EXPENDITURES  
07/01/20 TO 06/30/21

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/(ACCRUED) OR DEFERRED REVENUE AT JULY 1, 2020	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/(ACCRUED) OR DEFERRED REVENUE AT JUNE 30, 2021	INDIRECT COST
U.S. Department of Education - Direct Programs							
84.358A	588	\$28,304.00	\$0.00	\$28,304.00	\$28,304.00	\$0.00	\$0.00
State Department of Education -							
84.010	511	85,092.64	(6,914.08)	72,364.79	79,520.51	(14,069.80)	0.00
84.367	541/552/586	20,923.77	0.00	3,495.00	3,495.00	0.00	0.00
84.027	615/617/621	92,117.74	(11,755.22)	84,365.52	91,931.68	(19,321.38)	0.00
84.173	641	4,007.92	0.00	4,007.92	4,007.92	0.00	0.00
			(11,755.22)	88,373.44	95,939.60	(19,321.38)	0.00
81.425	788	42,102.61	0.00	37,742.82	38,108.57	(355.75)	0.00
84.425C	789	38,609.00	0.00	31,720.60	32,663.10	(942.50)	0.00
U.S. Department of Agriculture -							
Child Nutrition:							
10.555	763	175,125.90	0.00	175,125.90	175,125.90	0.00	0.00
10.553	764	98,131.20	10,184.80	98,131.20	28,552.68	79,763.32	0.00
			10,184.80	273,257.10	203,678.58	79,763.32	0.00
10.565	N/A	16,930.21	0.00	16,930.21	16,930.21	0.00	0.00
			10,184.80	290,187.31	220,608.79	79,763.32	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE							
			(\$8,484.50)	\$552,187.96	\$498,639.57	\$45,063.89	\$0.00

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition for commodities represents a nonmonetary value of the food commodities received. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount.

NOTE 4: Indirect Cost included in total expenditures

NOTE 5: The District has elected not to use the 10% de Minimis indirect cost rate allowed under the Uniform Guidance.

# Chas. W. Carroll, P.A.

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## 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  
Cherokee School District #I-46  
Alfalfa County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis of the Cherokee School District #I-46, Alfalfa County, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 4, 2022, which 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 for general fixed asset account groups 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 21-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 21-01 and 21-02 to be significant deficiencies.

**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 financial statements. 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*.

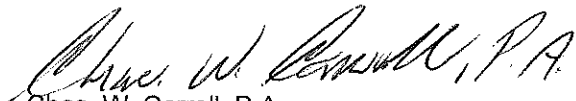
**Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying school's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 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.

Sincerely,

  
Chas. W. Carroll, P.A.  
April 4, 2022

CHEROKEE SCHOOL DISTRICT #1-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

SCHEDULE OF FINDINGS  
JUNE 30, 2021

Section 1 – Summary of Auditor's Results

**21-01 Finding**

Statement of Condition – During Our testing of expenditures I noted three (3) of 59 Activity Fund purchase orders did not have an invoice, one (1) of 59 purchase orders was dated after the invoice and eight (8) of 59 Activity Fund invoices did not have a signature.

Criteria – All goods and services are to be properly approved before ordering and all invoices should be complete, including date of purchase and signature of personnel receiving goods or services.

Cause/Effect of Condition – Employees were not following purchasing procedures which could lead to unauthorized purchases being made.

Recommendation – I recommend all purchases be approved with a purchase order/requisition prior to the items being ordered and be accompanied by an itemized, dated and signed invoice.

**21-02 Finding**

Statement of Condition – Pre-numbered receipts were not always utilized by activity fund sponsors and receipts were not turned in to the Activity Fund Custodian on a timely basis.

Criteria – Pre-numbered activity fund receipts shall be issued for every sub account for each fiscal year and every teacher in the school system should be informed that all monies are to be turned in to the School Activity Fund Custodian on daily basis.

Cause/Effect of Condition – The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete record.

Recommendation – The District should be following all specific procedures established by the State Department of education.

**21-03 Finding - Material**

Statement of Condition – We observed during the audit that the general fund balance has significantly decreased over the past several years. During the 2020-21 fiscal year, the general fund had expenditures totaling \$4,808,676.88, at June 30, 2021. However, the original appropriation balance for the general fund that was approved as part of the 2020-21 Estimate of Needs was only \$4,624,768.83. In June 2021, the District filed a request for additional appropriations (Form 150) with Alfalfa County in order to increase appropriations, however, the general fund under collected their estimated revenue amounts. The general fund had a year-end deficit fund balance of <\$114,904.58>.

Criteria – Oklahoma State Statutes prohibit a school from expending more than their approved appropriations. School districts should also maintain a positive fund balance at all times.

Cause/Effect of Condition – Proper procedures were not in place to monitor budgeted appropriations and actual expenditures. The District was in violation of state law when the general fund expenditures exceeds the approved appropriation balance. In addition, since there is a deficit fund balance, future fiscal year revenues will now have to pay for the previous year's obligations.

Recommendation – We recommend that the District implement procedures to ensure that only the original legal appropriations set forth in the Estimate of Needs plus any added appropriations, which have been properly approved, be included in the District's encumbrance and appropriations ledger. The appropriations ledger should be reconciled periodically with expenditure reports to ensure that expenditures do not exceed appropriations at any time, in any fund, during the year, and to ensure that the fund balance does not end the year with a deficit, as required by Oklahoma Statutes.

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2021

**20-01 Finding**

Statement of Condition – Receipts were not turned into Activity Fund Custodian on a timely basis.

Criteria – Every Sponsor in the school system should be informed that all monies are to be turned into the school Activity Fund Custodian on a daily basis.

Cause/Effect of Condition – The District and employees were not following Oklahoma State Department of Education Activity Fund procedures, which could lead to loss of revenues, theft and incomplete records.

Recommendation – The District should be following all specific procedures established by the State Department of Education.

Current Condition – This finding continued in the current year.

CHEROKEE SCHOOL DISTRICT #1-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS  
JUNE 30, 2021

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".

CHEROKEE SCHOOL DISTRICT #I-46  
ALFALFA COUNTY – OKLAHOMA  
JULY 1, 2020 TO JUNE 30, 2021

STATE OF OKLAHOMA )  
 )  
COUNTY OF GARFIELD )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Cherokee School District #I-46, Alfalfa County, Oklahoma, for the audit year 2020-21.

Chas. W. Carroll, P.A.  
Auditing Firm

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 4<sup>th</sup> day of April, 2022.

*Ram S. Melvin*  
Notary Public

My Commission Expires January 29, 2024





# **CHEROKEE PUBLIC SCHOOLS**

**BRYCE SCHANBACHER, SUPERINTENDENT**

**P.O. BOX 325**

**CHEROKEE, OK 73728**

**580-596-3391 • Fax 580-596-2319**



## **KEELA PATTERSON**

**Elementary Administration**

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**(F) 580-596-3329**

## **LANE PRUETT**

**HS/JH Administration**

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### **Cherokee Public Schools 2020-2021 Financial Audit Response to Findings**

#### **21-01 Finding**

During the testing of expenditures it was noted that (3) of the 59 activity fund purchase orders did not have an invoice, (1) of 59 purchase orders was dated after the invoice and (8) of 59 activity fund invoices did not have a signature.

Cherokee public schools will ensure that all purchases be approved with a purchase order/requisition prior to the items being ordered and will be accompanied by an itemized, dated and signed invoice.

#### **21-02 Finding**

During the inspection of receipts it was noted that pre-numbered receipts were not always utilized by activity fund sponsors and receipts were not turned in to the activity fund custodian on a timely basis.

Cherokee public schools will ensure that all receipts are properly used and that all sponsors are well informed of the procedures and protocols they are to follow to maintain proper financial records.



# **CHEROKEE PUBLIC SCHOOLS**

**BRYCE SCHANBACHER, SUPERINTENDENT**

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### **21-03 Deficit General Fund Balance**

During FY21, Cherokee Public Schools expended more money than was collected, resulting in the need to request additional appropriations and ending with a negative general fund balance. As a result, Cherokee Public Schools had operated on non-payable warrants for the beginning of FY22.

To correct this, Cherokee Public Schools has reduced costs in all possible areas, including staff, supplies and operating costs. Expenditures supporting extra-curricular activities, such as the concession stand, that could be moved out of the general fund to the activity fund have been moved. Staff has been reduced to save approximately \$1.3 million. Utilities such as electricity, water, and gas are being closely monitored with procedures implemented to reduce costs as much as possible.

The administration is developing an operating budget to be evaluated on a weekly, if not daily basis that includes reconciling with all funds and the cash balances in the bank accounts.

The Board of Education and Administration at Cherokee Public Schools realizes that this situation was created through the mismanagement of funds over several years and has, and will continue to implement plans and procedures to correct this situation and make every effort to ensure that this does not happen in the future.

In June of 2021 a judgment was granted against Cherokee Public School District #I-46, Alfalfa County, Oklahoma, in favor of ACB Bank, Cherokee, Oklahoma. The judgment was made to cover the deficit general fund balance on June 30th, 2021. The judgment will be paid through a sinking fund levy over a period of three years with the initial levy being made during the 2021-2022 fiscal year.

### ***Bryce Schanbacher***

Superintendent

Cherokee Public Schools