

Zaneis School District No. CO72
Carter County, Oklahoma
Financial Statements
Year-End June 30, 2023

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma

School District Officials
July 01, 2022 to June 30, 2023

Board of Education

President	Buddy Withers
Vice-President	Joe Don Stewart
Member	Michael Phelps

Clerk of Board of Education

Michael Phelps

School District Treasurer

Beth Billingsley

Administrative Principal of School

Ryan Cole

Zaneis School District No. CO72
Carter County, Oklahoma
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Carter County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Zaneis School District No. CO72
Wilson, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Zaneis School District No. CO72, Carter County, Oklahoma which comprise the combined statement of assets, liabilities and fund equity – all fund types and account groups as of June 30, 2023, and the related combined statement of revenues collected and expenditures paid and changes in cash fund balances – regulatory basis for the year then ended, and the related notes to the financial statements.

Qualified Opinion on Account Groups – Regulatory Basis

In our opinion, except for the effects of the matter described in the Basis for Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the account groups in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1.

Unmodified Opinion on Fund Types – Regulatory Basis

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions for each fund type of the Zaneis School District No. CO72, Carter County, Oklahoma as of June 30, 2023, and the revenues it collected and expenditures it paid and budgetary results for the year then ended, in accordance with the financial reporting provisions of Oklahoma State Department of Education as described in Note 1.

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 section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Zaneis School District No. CO72, Carter County, Oklahoma as of June 30, 2023, or changes in net position, or cash flows thereof for the year then ended.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Zaneis School District No. CO72, Carter County, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Account Groups

As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with financial reporting provisions of Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group has not been determined.

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

As described in Note 1, the financial statements are prepared by the School District, on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Oklahoma State Department of Education. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zaneis School District No. CO72's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Zaneis School District No. CO72's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zaneis School District No. CO72's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District's financial statements as a whole. The accompanying combining financial statements, combining statement of changes in cash balances – regulatory basis – activity funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

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 financial statements 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.

Other Information

Management is responsible for the other information included in the report. The other information comprises the statement of statutory fidelity and honesty bonds and schedule of accountant's professional liability insurance but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024 on our consideration of Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is solely 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 Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting and compliance.

Mary E Johnson & Associates PLLC

Norman, Oklahoma
February 13, 2024

Zaneis School District No. CO72
Carter County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balance
Regulatory Basis – All Governmental Fund Types and Account Groups
June 30, 2023

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	Total
	General	Special Revenue	Trust and Agency	General Long Term Debt	(memorandum only - Note 1) June 30, 2023
ASSETS					
Cash	\$ 1,440,538	\$ 752,979	\$ 63,719	\$ -	\$ 2,257,236
Total Assets	<u>\$ 1,440,538</u>	<u>\$ 752,979</u>	<u>\$ 63,719</u>	<u>\$ -</u>	<u>\$ 2,257,236</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Warrants payable	\$ 209,608	\$ 10,603	\$ -	\$ -	\$ 220,211
Due to others	-	-	63,719	-	63,719
Total Liabilities	<u>209,608</u>	<u>10,603</u>	<u>63,719</u>	<u>-</u>	<u>283,930</u>
Fund Balance					
Restricted					
Building Services	-	303,589	-	-	303,589
Child Nutrition Services	-	104,440	-	-	104,440
Capital Projects	-	334,347	-	-	334,347
Unassigned	1,230,930	-	-	-	1,230,930
Total Cash Fund Balances	<u>1,230,930</u>	<u>742,376</u>	<u>-</u>	<u>-</u>	<u>1,973,306</u>
Total Liabilities and Fund Balance	<u>\$ 1,440,538</u>	<u>\$ 752,979</u>	<u>\$ 63,719</u>	<u>\$ -</u>	<u>\$ 2,257,236</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances

Regulatory Basis – All Governmental Fund Types

For the Year Ended June 30, 2023

	<u>Governmental Fund Types</u>		Total
	<u>General</u>	<u>Special Revenue</u>	(memorandum only - Note 1) June 30, 2023
Revenues collected:			
Local sources	\$ 515,047	\$ 97,873	\$ 612,920
Intermediate sources	116,684	-	116,684
State sources	1,703,208	165,923	1,869,131
Federal sources	1,118,190	232,778	1,350,968
Total Revenues Collected	<u>3,453,129</u>	<u>496,574</u>	<u>3,949,703</u>
Expenditures paid:			
Instruction	1,671,711	-	1,671,711
Support services	1,387,555	-	1,387,555
Non-Instructional services	629	328,161	328,790
Capital outlay	99,990	-	99,990
Total expenditures paid	<u>3,159,885</u>	<u>328,161</u>	<u>3,488,046</u>
Excess of revenues collected over (under) expenditures paid	293,244	168,413	461,657
Cash fund balances, beginning of year	<u>937,686</u>	<u>573,963</u>	<u>1,511,649</u>
Cash fund balances, end of year	<u>\$ 1,230,930</u>	<u>\$ 742,376</u>	<u>\$ 1,973,306</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2023

	General Fund				Building and Child Nutrition Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 937,686	\$ 937,686	\$ 937,686	\$ -	\$ 338,488	\$ 338,488	\$ 338,488	\$ -
Revenues collected:								
Local sources	1,218,888	1,218,888	515,047	(703,841)	94,886	94,886	97,873	2,987
Intermediate sources	83,900	83,900	116,684	32,784	-	-	-	-
State sources	1,751,881	1,751,881	1,703,208	(48,673)	74,100	74,100	67,051	(7,049)
Federal sources	911,734	911,734	1,118,190	206,456	283,000	283,000	232,778	(50,222)
Total Revenues Collected	<u>3,966,403</u>	<u>3,966,403</u>	<u>3,453,129</u>	<u>(513,274)</u>	<u>451,986</u>	<u>451,986</u>	<u>397,702</u>	<u>(54,284)</u>
Expenditures paid:								
Instruction	2,600,000	2,600,000	1,671,711	928,289	-	-	-	-
Support services	2,228,089	2,228,089	1,387,555	840,534	-	-	-	-
Non-Instructional services	1,000	1,000	629	371	481,257	481,257	328,161	153,096
Capital outlay	75,000.00	75,000.00	99,990	(24,990)	109,217	109,217	-	109,217
Other outlays	-	-	-	-	200,000	200,000	-	200,000
Total Expenditures paid	<u>4,904,089</u>	<u>4,904,089</u>	<u>3,159,885</u>	<u>1,744,204</u>	<u>790,474</u>	<u>790,474</u>	<u>328,161</u>	<u>462,313</u>
Excess of revenues collected over (under) expenditures paid	(937,686)	(937,686)	293,244	1,230,930	(338,488)	(338,488)	69,541	408,029
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,230,930</u>	<u>\$ 1,230,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,029</u>	<u>\$ 408,029</u>

Reconciliation between Building and Child Nutrition Funds Budgetary Comparison Schedule and Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances -- Special Revenues

End cash fund balances from Budgetary Comparison Schedule:	\$ 408,029
Nonappropriated fund: County Sales Tax Fund Cash fund balance:	<u>334,347</u>
End cash fund balance per Statement of Revenues Collected, Expenditures Paid and changes in Fund balances - Special Revenues	<u>\$ 742,376</u>

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

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies

The basic financial statements of the Zaneis School District, CO72, Carter County, Oklahoma (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. The 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 for 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 administrative principal 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

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."

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 fund consists of the District's Building Fund, Child Nutrition Fund, and Municipal Tax 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 local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches. The Municipal Sales Tax Fund consists of monies derived from a county sales tax collected on behalf of the school district for purposes of technology equipment and instruction and classroom materials.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Fund Types

Agency Fund - The Agency fund is the School Activities 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.

Account Groups

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 general fixed assets not accounted for in proprietary funds. The District does not include a general fixed-assets account group.

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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The District does not maintain the fixed asset records necessary to account for this account group.

Memorandum Only - Total Column

The total column on the basic regulatory 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. 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.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation (continued)

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 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 require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types.

Estimates - The preparation of financial statements in conformity with the regulatory basis of accounting requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Noncash Transactions - The District received federal food commodities in the amount of \$17,336 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$12,410 directly to the teacher retirement fund on behalf of the District's employees.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable count clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting (continued)

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 Equity

Investments – The District’s investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States government and agencies, certificates of deposits of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for all amounts not covered by FDIC insurance.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first halves 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 for a period of three years or more as of the date such taxes first become due, the property is offered for sale for the amount of taxes due.

Inventories - The value of consumable inventories at June 30, 2023 is not material to the financial statements.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

E. Assets Liabilities and Fund Equity (continued)

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.

Fund Balance - Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

F. 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. Approximately 65% of the District's General Fund revenue comes from state sources.

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 that categorical education program revenues be accounted for in the general fund.

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

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

F. Revenue, Expenses and Expenditures (continued)

All other interfund transactions, except quasi-external transactions which are reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

2. Cash

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

As of June 30, 2023, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

3. Employee Retirement System

Teachers' Retirement System of Oklahoma

Plan Description – The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publicly available financial report that can be obtained at <http://www.ok.gov/trs/>.

Benefits Provided – The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include

Funding Policy – Under the System, contributions are made by the District, the State of Oklahoma and participating employees. Participation is required for all teachers and other certified staff and is options for all other employees of public education institutions who work at least 20 hours per week.

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2023, qualifying employee contributions were reduced by a retirement credit of \$13,287 provided by Enrolled

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2023, the District had a statutory contribution rate of 9.5% plus 8.00% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2023, the District contributions to the System were \$163,357.

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

4. Other Post-Employment Benefits (OPEB)

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers’ Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS). Plan Description – The OPEB System provides pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

Benefits Provided – All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments made on the retirees’ behalf to the Employees Group Insurance Division of the Office of Management and Enterprise Services, if the member continues health coverage under that Plan, or (ii) to the member’s former employer, if the member retains health coverage under a plan maintained by the former employer.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.13% of normal cost, as determined by an actuarial valuation.

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

Zaneis School District No. CO72
Carter County, Oklahoma
Notes to Combined Financial Statements
June 30, 2023

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 and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

7. Tax Abatement

The State of Oklahoma has authorized by Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District. For the year ended June 30, 2023, the district had the \$9,700 in abated ad valorem tax revenues.

8. Subsequent Event

The District has evaluated subsequent events through the date which the financial statements were available to be issued.

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Regulatory Basis
All Special Revenue Funds
June 30, 2023

	Building Fund	Child Nutrition Fund	County Sales Tax Fund	Total
<u>ASSETS</u>				
Cash	\$ 303,589	\$ 115,043	\$ 334,347	\$ 752,979
Total Assets	\$ 303,589	\$ 115,043	\$ 334,347	\$ 752,979
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ -	\$ 10,603	\$ -	\$ 10,603
Total Liabilities	-	10,603	-	10,603
 Fund Balance:				
Restricted:				
Building Services	303,589	-	-	303,589
Child Nutrition Services	-	104,440	-	104,440
Capital Projects	-	-	334,347	334,347
Total Cash Fund Balances	303,589	104,440	334,347	742,376
Total Liabilities and Fund Balance	\$ 303,589	\$ 115,043	\$ 334,347	\$ 752,979

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Regulatory Basis
All Special Revenue Funds
For the Year Ended June 30, 2023

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>County Sales Tax Fund</u>	<u>Total</u>
Revenues collected:				
Local sources	\$ 56,555	\$ 41,318	\$ -	\$ 97,873
State Sources	34,702	32,349	98,872	165,923
Federal Sources	-	232,778	-	232,778
Total Revenues Collected	<u>91,257</u>	<u>306,445</u>	<u>98,872</u>	<u>496,574</u>
Expenditures paid:				
Instructional Services	-	-	-	-
Support Services	-	-	-	-
Non-Instructional Services	-	328,161	-	328,161
Capital outlay	-	-	-	-
Total expenditures paid	<u>-</u>	<u>328,161</u>	<u>-</u>	<u>328,161</u>
Excess of revenues collected over (under) expenditures paid	<u>91,257</u>	<u>(21,716)</u>	<u>98,872</u>	<u>168,413</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	91,257	(21,716)	98,872	168,413
Cash fund balances, beginning of year	<u>212,332</u>	<u>126,156</u>	<u>235,475</u>	<u>573,963</u>
Cash fund balances, end of year	<u>\$ 303,589</u>	<u>\$ 104,440</u>	<u>\$ 334,347</u>	<u>\$ 742,376</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis
Building and Child Nutrition Funds
For the Year Ended June 30, 2023

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 212,332	\$ 212,332	\$ 212,332	\$ 126,156	\$ 126,156	\$ 126,156	\$ 338,488	\$ 338,488	\$ 338,488
Revenues collected:									
Local sources	62,885	62,885	56,555	32,001	32,001	41,318	94,886	94,886	97,873
State sources	34,000	34,000	34,702	40,100	40,100	32,349	74,100	74,100	67,051
Federal sources	-	-	-	283,000	283,000	232,778	283,000	283,000	232,778
Total Revenues Collected	<u>96,885</u>	<u>96,885</u>	<u>91,257</u>	<u>355,101</u>	<u>355,101</u>	<u>306,445</u>	<u>451,986</u>	<u>451,986</u>	<u>397,702</u>
Expenditures paid:									
Non-Instructional Services	-	-	-	481,257	481,257	328,161	481,257	481,257	328,161
Capital outlay	109,217	109,217	-	-	-	-	109,217	109,217	-
Other outlays	200,000	200,000	-	-	-	-	200,000	200,000	-
Total expenditures paid	<u>309,217</u>	<u>309,217</u>	<u>-</u>	<u>481,257</u>	<u>481,257</u>	<u>328,161</u>	<u>790,474</u>	<u>790,474</u>	<u>328,161</u>
Excess of revenues collected over (under) expenditures paid	<u>(212,332)</u>	<u>(212,332)</u>	<u>91,257</u>	<u>(126,156)</u>	<u>(126,156)</u>	<u>(21,716)</u>	<u>(338,488)</u>	<u>(338,488)</u>	<u>69,541</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,029</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2023

	<u>BEGINNING</u> <u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING</u> <u>BALANCE</u>
Annual	\$ 6,001	\$ 1,340	\$ 2,480	\$ 4,861
Athletics	4,426	18,462.00	13,282	9,606
Booster Club	45,874	7,553	14,044	39,383
Extended Care	2,031	-	2,031	-
Interest	559	212	144	627
Petty Cash	-	629	629	-
Beverage / Eight Grade	4,806	4,768	3,028	6,546
Junior Beta Club	2,410	1,140	854	2,696
	<u>\$ 66,107</u>	<u>\$ 34,104</u>	<u>\$ 854</u>	<u>\$ 63,719</u>

Zaneis School District No. CO72
Carter County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2022	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2023
U.S. Department of Education						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 32,730	\$ 32,730	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	25,197	25,197	-
Subtotal Direct Grants			-	57,927	57,927	-
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	160,325	160,325	-
Title II Part A - REAP	84.367	586	-	5,079	5,079	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I/CARES ACT)	84.425D	788	-	-	-	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II/CARES ACT)	84.425D	793	-	41,620	41,620	-
COVID-19 American Rescue Plan (ARP) Elementary and secondary School Emergency Relief Fund (ESSER III)	84.425U	795	(133,884)	782,680	648,796	-
Subtotal ESF-ESSER funds			(133,884)	824,300	690,416	-
Subtotal Passed through State Department of Education			(133,884)	989,704	855,820	-
Total U.S. Department of Education			\$ (133,884)	\$ 1,047,631	\$ 913,747	\$ -
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
P-EBT Program	10.649	760	\$ -	\$ 628	\$ 628	\$ -
<i>Child Nutrition Cluster:</i>						
<i>Cash Assistance</i>						
National School Lunch Program	10.555	763	\$ 15,423	\$ 152,677	\$ 152,677	\$ 15,423
Commodity Credit Corporation (CCC) Supply Chain Assistance	10.555	759	-	17,649	17,649	-
School Breakfast Program	10.553	764	-	61,824	61,824	-
Cash Assistance Subtotal			15,423	232,150	232,150	15,423
<i>Passed Through State Department of Human Services:</i>						
<i>Non-Cash Assistance</i>						
National School Lunch Program (Commodities)	10.555		-	15,378	15,378	-
Non-Cash Assistance Subtotal			-	15,378	15,378	-
Child Nutrition Cluster			15,423	247,528	247,528	15,423
Total U.S. Department of Agriculture			\$ 15,423	\$ 248,156	\$ 248,156	\$ 15,423
U.S. Federal Communication Commission:						
<i>Direct Grants:</i>						
COVID-19 Emergency Connectivity Fund	32.009	771	\$ -	\$ 70,560	\$ 70,560	-
Total U.S. Federal Communication Commission			\$ -	\$ 70,560	\$ 70,560	\$ -
Total Expenditures of Federal Awards			\$ (118,461)	\$ 1,366,347	\$ 1,232,463	\$ 15,423

Zaneis School District No. C072
Carter County, Oklahoma
Supplemental Schedule
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Zaneis School District No. C072, Carter County, Oklahoma under programs of the federal government for the year ended June 30, 2023. 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). Because the Schedule presents only a selected portion of the operations of Zaneis School District No. C072, Carter County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Zaneis School District No. C072, Carter County, Oklahoma.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on using the cash basis of accounting. Encumbrances are included when paid rather than when incurred. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

Note 3: Indirect Cost Rate

Zaneis School District No. C072, Carter County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

Zaneis School District No. C072, Carter County, Oklahoma did not have any awards that have been passed through to subrecipients.

Note 5: Transfers between Federal Programs

Zaneis School District No. C072, Carter County, Oklahoma received \$10,000 for program for program CFDA#84.424 Title IV which were allowed to be transferred to be used for Title I CFDA#84.010, and thus was reported above in the Title I revenues agree with corresponding expenditures.

**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
Zaneis School District No. CO72
Wilson, 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 of Zaneis School District No. CO72, Carter County Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Zaneis School District No. CO72, Carter County Oklahoma's regulatory financial statements and have issued our report thereon dated February 13, 2024. Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting (internal control) as a basis for designed audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma'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 purposes described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Zaneis School District No. CO72, Carter County Oklahoma'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in accompanying schedule of findings and questioned costs as item 2023-004.

Zaneis School District No. CO72, Carter County Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Zaneis School District No. CO72, Carter County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Zaneis School District No. CO72, Carter County Oklahoma's response was not subjected to the other 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 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.



Norman, Oklahoma

February 13, 2024

**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
Zaneis School District No. CO72
Wilson, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Zaneis School District No. CO72, Carter County, Oklahoma’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Zaneis School District No. CO72, Carter County, Oklahoma’s major federal programs for the year ended June 30, 2023. Zaneis School District No. CO72, Carter County, Oklahoma’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Zaneis School District No. CO72, Carter County, Oklahoma, complied, in all material respects, with the types 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, 2023.

Basis for Opinion on Each Major Federal Program

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Zaneis School District No. CO72, Carter County, Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Zaneis School District No. CO72’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Zaneis School District No. CO72's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Zaneis School District No. CO72's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Zaneis School District No. CO72's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Zaneis School District No. CO72's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Zaneis School District No. CO72's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Zaneis School District No. CO72's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-005 and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Zaneis School District No. CO72's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Zaneis School District No. CO72's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Zaneis School District No. CO72's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Zaneis School District No. CO72's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Mary E Johnson & Associates PLLC

Norman, Oklahoma
February 13, 2024

Zaneis School District No. CO72
 Carter County, Oklahoma
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements:

Type of audit report: Qualified Opinion on Account Group - Regulatory Basis
 Unmodified Opinion on Fund Types - Regulatory Basis
 Adverse Opinion on U.S. Generally Accepted Accounting Principles

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None Report

Noncompliance material to financial statement X Yes _____ No

Federal Awards:

Internal control over major program:

Material weakness(es) identified? X Yes _____ No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Report

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X Yes _____ No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D & 84.425U	COVID-19 Education Stabilization Funds- Elementary and Secondary School Emergency Relief (ESSER II) Fund and American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief Fund (ESSER III)

Dollar threshold used to distinguish between Type A and Type \$ 750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

2023-001 Financial Reporting

Condition: The District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements including the general fixed asset account group.

Cause: The District also does not have a system for accounting for general fixed assets.

Effect: Scope limitation on the audit for the general fixed asset account group.

Recommendation: We recommend that the District evaluate the cost of maintaining general fixed assets group in accordance with accounting and regulatory requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District's current budget constraints do not allow for the resources to be able to maintain the general fixed asset group.

2023-002 Retirement Not Paid

Condition: Retirement not paid on required federal fund salaries.

Criteria: 70 OS Section 17-108A District whose employees are members of the Teachers' Retirement system shall match on a pro rata basis, in accordance with subsection B of this section the contributions of members whose salaries are paid by federal funds. FY23 the Federal Match contribution rate is 8.0%.

Cause: The District reclassified salaries to federal after the salaries had already been paid as non-federal.

Context: Two out of the three of federal salaries tested did not have federal retirement portion paid.

Effect: Noncompliance with state law and understatement of expenditures.

Recommendation: We recommend that the District pay required federal match on all federal salaries. We recommend that the District at year end evaluate all federal salaries to federal match paid to ensure retirement has properly been paid as required by statutes.

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

*Views of Responsible Officials
and Planned Corrective*

Action: The District will go thru each employee's purchase order to ensure federal matching was calculated each month for employees paid with federal funds, before processing the final payroll of the school year.

2023-003 Activity Fund Receipts

Condition: Activity fund receipts are not being properly documented.

Criteria: Proper internal controls should be designed to ensure the traceability of funds from original receipt of funds to deposits.

Cause: New fundraiser at District in which receipts were not issued to students.

Context: Two out of seven receipts tested did not have proper supporting documentation of individual receipts.

Effect: Risk of misappropriation of funds.

Recommendation: We recommend that all activity fund receipts be properly documented with individual receipts when applicable. We also recommend that district policy be reviewed and teachers reminded of requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District had started the new fundraiser in fiscal year 2023, and receipt books have been purchased and issued to teachers to write receipts as funds are collected in February 2024. The District is also reviewing our activity fund policy and updating as needed.

2023-004 Activity Fund Deposits

Condition: Activity fund receipts are not being turned in on a timely basis to the activity fund custodian.

Criteria: Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.

Cause: Activity funds were held and not deposited timely.

Context: Three out of seven were held and therefore were not timely deposited by District.

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Effect: Lack of compliance with state law.

Recommendation: We recommend that all activity fund sponsors turn in receipts on a daily basis to the activity fund custodian. We also recommend that activity fund sponsors not hold amounts collected.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

Section III – Federal Award Finding and Questioned Costs

2023-005 **Federal Agency:** U.S. Department of Education
Pass Thru Entity: Oklahoma State Department of Education
Program: COVID-19 Education Stabilization Fund
Assistance Listing: COVID-19- 84.425D & 84.425U
Grant Period: Year ending June 30, 2023
Compliance Requirement: F. Equipment/Real Property Management
Type of Finding: Non-Compliance & Material Weakness

Condition: Property acquired with federal funds were not tracked in property records.

Criteria: 2 CFR 200.313(d)(1) requires property records must be maintained that include a description of the property, serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, the cost of the property, percentage of the federal project costs under which property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Cause: Failure to identify construction in progress as capital outlay for property.

Context: Twenty five percent of population was not captured on the federal property report maintained by District.

Effect: Noncompliance with Uniform Guidance.

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Recommendation: We recommend that property acquired with federal funds be properly tracked. We also recommend reconciliation procedures between property acquired with federal funds and the property listing for items acquired with federal funds.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will review federal expenditures of OCAS object codes to 700s and 450s at year end to the federal inventory listing to ensure all equipment has been captured as required by federal regulations.

2023-006 **Federal Agency:** U.S. Department of Education
Pass Thru Entity: Oklahoma State Department of Education
Program: COVID-19 Education Stabilization Fund
Assistance Listing: COVID-19- 84.425D & 84.425U
Grant Period: Year ending June 30, 2023
Compliance Requirement: N. Special Tests and Provisions
Type of Finding: Non-Compliance & Material Weakness

Condition: Construction projects did not obtain certified payrolls documenting compliance with wage rate requirements.

Criteria: 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted construction requires that nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (Which still may be referenced as Davis-Bacon Act). Which includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each which in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Cause: Failure to understand requirements for federally funded construction projects.

Context: Construction contracts to be paid with federal funds did not include wage rate requirements. In addition, required certified payrolls were not obtained.

Effect: Noncompliance with Uniform Guidance

Zaneis School District No. CO72
Carter County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Repeat Finding from Prior Year: No

Recommendation: We recommend that the District obtain certified payrolls for all federally funded construction projects. We also recommend that federal funded contracts include required provisions. We also recommend that the District review all requirements for federal funds received to ensure compliance.

Views of Responsible Officials

and Planned Corrective

Action: Typically District does not use federal funds for construction. These were renovations in response to COVID-19 and allowed expenditure of the program. The District will make sure when construction contracts are bid they let contractors know federal funds will be used and make sure the Contractor is able to comply with the requirement of certified payrolls to be submitted with all invoices submitted to District if federal funds are going to be used.

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter County, Oklahoma

Summary of Prior Year Findings

For the Year Ended June 30, 2023

2022-001 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines.

Recommendation: The Auditor recommended that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

Current Status: Condition still exist see current year finding 2023-001 for general fixed asset group. Condition has been resolved related to financial reporting system and disclosures.

2022-002 Coding of Revenues and Expenditures

Condition: Revenues and expenditures were not properly coded as federal in the Oklahoma Cost Accounting System (OCAS).

Recommendation: The Auditor recommended that all federal funds be properly coded in OCAS. The Auditor also recommended that procedures be implemented for all revenue received to determine source of funds are properly determined and coded accordingly.

Current Status: Condition has been resolved

2022-003 Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Condition: District federal funding received was not properly included on SEFA.

Recommendation: The Auditor recommended that all federal funds be properly coded in OCAS. The Auditor also recommended that procedures be implemented for all new revenue received to determine source of funds are properly coded when received and used.

Current Status: Condition has been resolved.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2023

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2022 to July 1, 2023.

The superintendent is bonded by the Western Surety Company, bond number 61372523, for the penal sum of \$100,000 for the term of July 1, 2022 to July 1, 2023.

The lunch fund and activity fund custodian is bonded by Western Surety Company, bond number 70129280, for the penal sum of \$1,000 for the term July 1, 2022 to July 1, 2023.

The lunch fund and activity fund custodian is bonded by Western Surety Company, bond number 63681720, for the penal sum of \$1,000 for the term July 1, 2022 to July 1, 2023.

The encumbrance and minutes clerk is bonded by Western Surety Company, bond number 69377777, for the penal sum of \$1,000 for the term August 5, 2022 to August 5, 2023.

ZANEIS DEPENDENT SCHOOL DISTRICT
Carter County, Oklahoma
Schedule of Accountant's Professional Liability Insurance (unaudited)
For the Year Ended June 30, 2023

State of Oklahoma)

County of Carter)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Zaneis School District No. CO72 for the audit year 2022-2023.

MARY E. JOHNSON & ASSOCIATES, PLLC

BY: Mary E Johnson
Authorized Agent

Subscribed and sworn to before me on this 23rd day of February, 2024.

[Signature]
Notary Public

Commission Number: 20004372

My commission expires on: 4-23-24

