

**FINANCIAL STATEMENTS – REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15,  
TEXAS COUNTY, OKLAHOMA**

**JUNE 30, 2020**

Audited by

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2020

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HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor’s Report	5-6
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements – Regulatory Basis – Performed in Accordance with Government Auditing Standards	7-8
Disposition of Prior Year’s Significant Deficiencies and Material Instances of Non-Compliance	9-10
Schedule of Audit Results	11-13
<b>Combined Financial Statements – Regulatory Basis</b>	
Combined Statement of Assets, Liabilities and Fund Balance All Fund Types and Account Groups – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	15
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	16-18
<b>Notes to Combined Financial Statements - Regulatory Basis</b>	19-35
<b>Combining Financial Statements – Regulatory Basis</b>	
Combining Statement of Assets, Liabilities and Fund Balance – All Special Revenue Funds – Regulatory Basis	36
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	37

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
JUNE 30, 2020

Page No.

**Combining Financial Statements – Regulatory Basis – cont'd**

Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget to Actual – Special Revenue Fund Types – Regulatory Basis	38
Combining Statement of Assets, Liabilities and Fund Balance – All Fiduciary Fund Types – Regulatory Basis	39
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Expendable Trust Funds – Regulatory Basis	40
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	41
Schedule of Expenditures of Federal Awards – Regulatory Basis	42
Schedule of Statutory, Fidelity and Honesty Bonds	43
Schedule of Accountant’s Professional Liability Insurance Affidavit	44



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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Hardesty School District Number I-15  
Hardesty, Texas County, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Hardesty School District Number I-15, Hardesty, Texas County, Oklahoma (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education to meet 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

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

In our opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, 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, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

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

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

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

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

### **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

February 2, 2021



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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  
Hardesty School District Number I-15  
Hardesty, Texas 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 within the combined financial statements of the Hardesty School District Number I-15, Hardesty, Texas County, Oklahoma (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 2, 2021, 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 of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit results, as items 2020-1, 2020-2, 2020-3, and 2020-4, that we consider to be material weaknesses.

## **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, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results as items, 2020-2, 2020-3, and 2020-4.

## **District's Response to Findings**

The District's response to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit on 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

February 2, 2021

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2020

**Finding 2019-1 - Segregation of Duties**

*Condition:* The district has a lack of segregation of duties resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting. Currently one individual performs the functions for payroll, activity fund and accounts payable.

*Recommendation:* Although this is an ongoing issue in small school districts, and a repeat issue, we recommend that board implement procedures to segregate key accounting functions, and determine the cost effectiveness of the possible hiring/assigning of personnel to help better segregate accounting functions.

*Current Status:* This finding continued in the current fiscal year.

**Finding 2019-2 – Purchase Orders**

*Condition:* We could not locate most of the purchase orders we selected for examination and/or they did not have adequate documentation attached as support for the purchase. In addition, there were multiple purchase orders observed where the invoice date was before the purchase order date, i.e. not being encumbered in a timely manner.

*Recommendation:* We recommend that the District enforce its policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred, proper approval of the expenditure, original documentation be obtained, invoices be signed as received, the face of the purchase order reflect the total amount actually paid, and the check number(s) be recorded on the purchase order.

*Current Status:* This finding continued in the current fiscal year, however, improvement was observed.

**Finding 2019-3 – Federal Claims**

*Condition:* We observed during the audit that there were not enough allowable expenditures for the Small Rural Schools Achievement Program to support the amounts received. In addition, the expenditures coded to the Title I Program, according to OCAS, did not reflect the actual amount of expenditure claims submitted.

*Recommendation:* We recommend that the District establish a procedure which requires that an employee (other than the one filing the claims) perform a reconciliation

periodically during the year, and at the end of the fiscal year, between the expenditures claimed for reimbursement and the expenditures actually coded to the program's project code on the detailed expenditure reports.

*Current Status:* The District did not participate in the Small Rural Schools Achievement Program in the current fiscal year. The Title I program properly coded its expenditures.

#### **Finding 2019-4 – Activity Funds**

*Condition:* When testing the activity fund receipting procedures, we noted there is not a clear audit trail from when collections are made to the corresponding bank deposit. There were sponsors who were not using District provided receipt books, or receipt books were not available for review, and the activity fund custodian was not properly receipting collections from sponsors in a timely manner. We also noted that the custodian's activity ledger was not properly reconciled to the bank balance at the end of each month.

*Recommendation:* We recommend that all activity funds collected be receipted in pre-numbered receipt books, with a receipt copy being issued to any student or patron from whom money is received, and all receipt books be kept on file for review. Further, we recommend that sponsor receipt books be checked in/out to sponsors at the beginning/end of each year and a log be used to record the checking in/out of receipt books. In addition, when sponsors turn over daily collections to the activity fund custodian, the sponsor should be provided a receipt. We recommend that the activity fund collection/receipts processes and procedures be reexamined and improved upon. Further, we recommend that the activity fund duties be performed in a timely manner in order to ensure financial information is accurately stated. We also recommend, at the end of each month, that all deposits in transit and all checks outstanding be clearly identified and detailed on each reconciliation, and that a list of outstanding checks, giving numbers and amounts, be included. In addition, the bank statements should be reconciled with the custodian's ledger at the end of each month.

*Current Status:* This finding continued in the current fiscal year, however, improvement was observed.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
SCHEDULE OF AUDIT RESULTS  
JUNE 30, 2020

**Section 1** – Summary of Auditor’s Results:

1. An adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit disclosed deficiencies in the internal controls over financial reporting which were considered to be material weaknesses.
3. The audit disclosed instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS:

**FINDING 2020-1 Segregation of Duties**

*Condition:* The district has a lack of segregation of duties resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting. Currently one individual performs the functions for payroll, activity fund and accounts payable.

*Criteria:* A good system of internal control would provide for the proper segregation of receipting revenue/issuing checks, processing (posting) information, custody of assets, and reconciling.

*Cause / Effect:* Due to a limited number of personnel available to perform the various accounting functions, and that there was staff turnover in these areas, there is an increased risk that errors or fraud may occur and not be detected in a timely manner.

*Recommendation:* Although this is an ongoing issue in small school districts, and a repeat issue, we recommend that board implement procedures to segregate key accounting functions, properly train staff, and determine the cost effectiveness of the possible hiring/assigning of personnel to help better segregate accounting functions.

## **FINDING 2020-2 Expenditure/Check Reconciliation**

*Condition:* Early in the 19-20 fiscal year, approximately August and September, the District changed banks, hired and new treasurer and also switched to a new accounting software for the treasurer. There was also staff turnover in the business office, who did not receive sufficient training for their respective positions. There were several FY19 checks, majority of which involved payroll and the related withholdings, that were voided but subsequently cashed, approximately \$21,876 in the general fund and \$3,812 in the child nutrition fund, and several duplicate checks issued that were also cashed, approximately \$1,134, in the general fund and \$579 in the building fund. There was no accurate accounting/reconciliation of checks issued, paid and outstanding during this period. Using different software for accounts payable and the treasury did not help with this issue. Therefore adjusting entries had to be made in order to reconcile the actual cash fund balance with the accounting/OCAS data.

*Criteria:* Monthly reconciliations should be performed that reconcile the prior months outstanding checks, checks issued, checks paid, to a current outstanding check list. This reconciliation will be used to confirm the treasurers' monthly reconciliation.

*Cause / Effect:* Due to the changing of banks, changing of treasurer and treasury software, staff turnover and lack of training for the staff concerning the reconciliation of checks/expenditures there is an increased risk that errors or fraud may occur but not be detected in a timely manner.

*Recommendation:* We recommend that the District switch back the treasurers' software to be compatible with the accounts payable module, that appropriate training is provided to the business office staff that is directly related to their position and the appropriate reconciliations concerning checks issued, checks paid and checks outstanding be performed each month. We also recommend that the District review the checks which were paid twice to determine if the District is due any reimbursements/credit.

## **FINDING 2020-3 Purchase Orders**

*Condition:* Purchase orders were used in accordance with Oklahoma Statutes, however, we observed purchase orders that did not always have adequate documentation attached, were not always encumbered in a timely manner, therefore, the invoice date was prior to the purchase order date, and some did not properly testfoot.

*Criteria:* All District obligations should be encumbered prior to the actual purchase of materials or services, as required by Oklahoma Statutes. Also, purchase orders should never be dated anything other than the actual date they are issued. All expenditures should be properly authorized, adequate support be obtained and attached to the purchase order. In addition, all invoices or delivery tickets should be signed and dated when the merchandise is received, as required by Oklahoma Statutes.

*Cause / Effect:* Staff turnover and proper procedures were not in place over the accounts payable function for the appropriated fund purchases. This increases that risk that a misappropriation of assets will occur and not be detected whether due to error or fraud.

*Recommendation:* We recommend that the District enforce its policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred, proper approval of the expenditure, original documentation be obtained, invoices be signed as received, the face of the purchase order reflect the total amount actually paid, and the check number(s) be recorded on the purchase order.

#### **FINDING 2020-4 Activity Funds**

*Condition:* When testing the activity fund receipting procedures, we noted there is not a clear audit trail from when collections are made to the corresponding bank deposit. There were instances of deposits being made prior to the receipt date and instances where deposits were not being made timely. We also noted that the custodian's activity ledger was not accurately reconciled to the bank balance at the end of each month. (the deposit in transit and outstanding check list were more than a year old)

*Criteria:* Oklahoma Statutes (70 O.S. Section 5-129) require that pre-numbered receipts be issued each year for every account, and that deposits be made daily if over \$100, but never less than once per week regardless of amount. Further, the District's accounting software should always be utilized to ensure accurate and timely reporting of financial information.

*Cause / Effect:* Proper procedures were not being followed for the activity fund functions. Due to District not following procedures for receipting and depositing collections, accurate and timely reconciliations, and having a limited number of personnel available to properly segregate duties, there is an increased risk that a misappropriation of assets will occur, whether due to error or fraud, and not be detected in a timely manner.

*Recommendation:* We recommend that all activity funds collected be receipted in pre-numbered receipt books, with a receipt copy being issued to any student or patron from whom money is received, and all receipt books be kept on file for review. We also recommend that the activity fund custodian receipt the collections from the sponsors and make the corresponding deposits in a timely manner in order to ensure financial information is accurately stated. We also recommend, at the end of each month, that all deposits in transit and all checks outstanding be clearly identified and detailed on each reconciliation, and that a list of outstanding checks, giving numbers and amounts, be included. In addition, the bank statements should be reconciled with the custodian's ledger at the end of each month.

**COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS**

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2020

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE			
<u>ASSETS</u>						
Cash	\$ 177,174	74,126	26,116	33,106		310,522
Amounts available on debt service					26,116	26,116
Amount to be provided for retirement of long-term debt					171,367	171,367
Total Assets	\$ 177,174	74,126	26,116	33,106	197,483	508,005
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Warrants payable	\$ 100,994	7,521				108,515
Funds held for school organizations				26,298		26,298
Long-term debt:						
Capital leases					77,483	77,483
Bonds payable					120,000	120,000
Total liabilities	100,994	7,521	0	26,298	197,483	332,296
Fund Balance:						
Restricted		66,605	26,116	6,808		99,529
Unassigned	76,180					76,180
Fund balances	76,180	66,605	26,116	6,808	0	175,709
Total Liabilities and Fund Balance	\$ 177,174	74,126	26,116	33,106	197,483	508,005

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY FUND TYPES</u>	TOTALS (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>EXPENDABLE TRUSTS</u>	
Revenues Collected:					
Local sources	\$ 515,879	104,845	50,117		670,841
Intermediate sources	17,562				17,562
State sources	580,665	497	42		581,204
Federal sources	81,918	41,813			123,731
Interest earnings	3,578			117	3,695
Non-revenue receipts	962				962
Total revenues collected	<u>1,200,564</u>	<u>147,155</u>	<u>50,159</u>	<u>117</u>	<u>1,397,995</u>
Expenditures:					
Instruction	903,376				903,376
Support services	447,002	85,198			532,200
Operation of non-instructional services	61,690	36,990			98,680
Other outlays:					
Correcting entry	962				962
Reimbursement			64,015		64,015
Total expenditures	<u>1,413,030</u>	<u>122,188</u>	<u>64,015</u>	<u>0</u>	<u>1,599,233</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(212,466)	24,967	(13,856)	117	(201,238)
Other financing sources (uses):					
Adjustments to prior year encumbrances	(26,098)	(9,154)	0	0	(35,252)
Excess of revenues collected over (under) expenditures	(238,564)	15,813	(13,856)	117	(236,490)
Cash fund balances, beginning of year	<u>314,744</u>	<u>50,792</u>	<u>39,972</u>	<u>6,691</u>	<u>412,199</u>
Cash fund balances, end of year	<u>\$ 76,180</u>	<u>66,605</u>	<u>26,116</u>	<u>6,808</u>	<u>175,709</u>

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND		
	Original/ Final Budget	Actual	Prior Year (Memorandum Only)
Revenues Collected:			
Local sources	\$ 433,063	515,879	352,238
Intermediate sources	25,380	17,562	27,825
State sources	686,221	580,665	685,182
Federal sources	45,078	81,918	52,361
Interest earnings		3,578	2,265
Non revenue		962	
Total revenues collected	<u>1,189,742</u>	<u>1,200,564</u>	<u>1,119,871</u>
Expenditures:			
Instruction	982,915	903,376	798,867
Support services	458,241	447,002	426,422
Operation of non-instructional services	55,114	61,690	36,213
Other outlays:			
Clearing	7,000		
Correcting entry	1,216	962	254
Total expenditures	<u>1,504,486</u>	<u>1,413,030</u>	<u>1,261,756</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(314,744)	(212,466)	(141,885)
Adjustments to prior year encumbrances	<u>0</u>	<u>(26,098)</u>	<u>1,156</u>
Excess of revenues collected over (under) expenditures	(314,744)	(238,564)	(140,729)
Cash fund balance, beginning of year	<u>314,744</u>	<u>314,744</u>	<u>455,219</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>76,180</u>	<u>314,490</u>

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS		
	Original/ Final Budget	Actual	Prior Year (Memorandum Only)
Revenues Collected:			
Local sources	\$ 69,827	104,845	73,731
State sources	521	497	603
Federal sources	32,379	41,813	34,083
Total revenues collected	102,727	147,155	108,417
Expenditures:			
Support services	103,033	85,198	110,486
Operation of non-instructional services	50,486	36,990	60,982
Total expenditures	153,519	122,188	171,468
Excess of revenues collected over (under) expenditures adjustments to prior year encumbrances	(50,792)	24,967	(63,051)
Adjustments to prior year encumbrances	0	(9,154)	125
Excess of revenues collected over (under) expenditures	(50,792)	15,813	(62,926)
Cash fund balances, beginning of year	50,792	50,792	113,718
Cash fund balances, end of year	\$ 0	66,605	50,792

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -  
 BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	DEBT SERVICE FUND		
	Original/ Final Budget	Actual	Prior Year (Memorandum Only)
Revenues Collected:			
Local sources	\$ 48,518	50,117	43,426
State sources		42	52
Total revenues collected	48,518	50,159	43,478
Requirements:			
Bonds	48,000	60,000	60,000
Coupons	3,825	3,990	4,740
Agency fees		25	
Total expenditures	51,825	64,015	64,740
Excess of revenues collected over (under) expenditures	(3,307)	(13,856)	(21,262)
Cash fund balance, beginning of year	39,972	39,972	61,234
Cash fund balance, end of year	\$ 36,665	26,116	39,972

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

**NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS**

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Hardesty Public Schools Independent District, No. I-15 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

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 five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

A. Reporting Entity – cont'd

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.

B. Measurement Focus

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

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

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

**Governmental Fund Types**

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

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds. The district did not maintain a co-op fund during the 2019-20 fiscal year.

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

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

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

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

Capital Projects Fund – The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment. The district did not have any bond funds during the 2019-20 fiscal year.

HARD ESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

**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. The terms “non-expendable” 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 operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The District maintained a gifts and endowments fund during the 2019-20 fiscal year.

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

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

**Account Groups**

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

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

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – cont'd

B. Measurement Focus – cont'd

**Memorandum Only - Total Column**

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. 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* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the 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 are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**– cont’d

C. Basis of Accounting and Presentation – cont’d

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

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 all funds (with the exception of the trust and agency funds) 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. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity

Cash and cash equivalents – The District considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

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

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Compensated Absences – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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

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

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

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

***Restricted*** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

***Committed*** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

*Assigned* fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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 from or additions to the 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 educational program revenues be accounted for in the general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Monetary Transactions – The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

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

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

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

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

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

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

2. CASH AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash deposits and investments at June 30, 2020, were \$310,522 at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

**HARD ESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**2. CASH AND INVESTMENTS – cont'd**

- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

**3. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2020.

**4. GENERAL LONG-TERM DEBT**

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

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

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2020:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2019	\$ 180,000	32,672	212,672
Additions	0	55,348	55,348
Retirements	(60,000)	(10,537)	(70,537)
Balance, June 30, 2020	\$ 120,000	77,483	197,483

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

**4. GENERAL LONG-TERM DEBT – cont'd**

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

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2018, original issue \$240,000, interest rates of 1.25% to 3.00%, due in annual installments of \$60,000, final payment of \$60,000, due 5-01-22	\$ 120,000
<u>Capital Lease/Purchase:</u>	
Lease purchase for technology equipment, dated 8/12/19, for \$55,348, interest rate of 4.40%, due in monthly principal and interest payments of \$1,033, final payment 8-12-24	46,952
Lease purchase for a mobile home, dated 4/10/19, for \$33,000, interest rate of 4.40%, due in monthly principal and interest payments of \$297, final payment 4-15-31	<u>30,531</u>
Total	<u>\$ 197,483</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 72,742	6,215	78,957
2022	73,326	4,431	77,757
2023	13,937	2,019	15,956
2024	14,574	1,383	15,957
2025	4,654	891	5,545
Thereafter	<u>18,250</u>	<u>2,513</u>	<u>20,763</u>
Total	<u>\$ 197,483</u>	<u>17,452</u>	<u>214,935</u>

Interest paid on general long-term debt during the 2019-20 fiscal year totaled \$7,344.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**5. EMPLOYEE RETIREMENT SYSTEM**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2019-20 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 7.70%.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**5. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Annual Pension Cost

The District's total contributions for 2020, 2019 and 2018 were \$104,124, \$116,151, and \$97,218, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2020. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; 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 risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, 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 it 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 school's 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 its loss fund in three years, it is returned to the District with no interest.

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

**6. RISK MANAGEMENT – cont'd**

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

**7. CONTINGENCIES**

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2019-20 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$750,000 in federal awards.

The District did not fall under this threshold during the 2019-20 fiscal year, therefore, this schedule is not required and is for information purposes only.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

**COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS**

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 JUNE 30, 2020

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 60,817	13,309	74,126
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants payable	\$ 4,304	3,217	7,521
Total liabilities	4,304	3,217	7,521
Fund Balance:			
Restricted	56,513	10,092	66,605
Total Liabilities and Fund Balance	\$ 60,817	13,309	74,126

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:			
Local sources	\$ 99,088	5,757	104,845
State sources	56	441	497
Federal sources		41,813	41,813
Total revenues collected	<u>99,144</u>	<u>48,011</u>	<u>147,155</u>
Expenditures:			
Support services	85,198		85,198
Operation of non-instructional services		36,990	36,990
Total expenditures	<u>85,198</u>	<u>36,990</u>	<u>122,188</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	13,946	11,021	24,967
Adjustments to prior year encumbrances	<u>1,383</u>	<u>(10,537)</u>	<u>(9,154)</u>
Excess of revenues collected over (under) expenditures	15,329	484	15,813
Cash fund balances, beginning of year	<u>41,184</u>	<u>9,608</u>	<u>50,792</u>
Cash fund balances, end of year	<u>\$ 56,513</u>	<u>10,092</u>	<u>66,605</u>

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 61,849	61,849	99,088	\$ 7,978	7,978	5,757
State sources			56	521	521	441
Federal sources				32,379	32,379	41,813
Total revenues collected	<u>61,849</u>	<u>61,849</u>	<u>99,144</u>	<u>40,878</u>	<u>40,878</u>	<u>48,011</u>
Expenditures:						
Support services	103,033	103,033	85,198	50,486	50,486	36,990
Operation of non-instructional services						
Total expenditures	<u>103,033</u>	<u>103,033</u>	<u>85,198</u>	<u>50,486</u>	<u>50,486</u>	<u>36,990</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(41,184)	(41,184)	13,946	(9,608)	(9,608)	11,021
Adjustment to prior year encumbrances	0	0	1,383	0	0	(10,537)
Excess of revenues collected over (under) expenditures	(41,184)	(41,184)	15,329	(9,608)	(9,608)	484
Cash fund balances, beginning of year	41,184	41,184	41,184	9,608	9,608	9,608
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>56,513</u>	<u>\$ 0</u>	<u>0</u>	<u>10,092</u>

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 ALL FIDUCIARY FUND TYPES - REGULATORY BASIS  
 JUNE 30, 2020

	EXPENDABLE TRUST GIFTS AND ENDOWMENTS FUND	AGENCY FUNDS SCHOOL ACTIVITY FUNDS	TOTAL
<u>ASSETS</u>			
Cash	\$ 6,808	26,298	33,106
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Funds held for school organizations	\$ 0	26,298	26,298
Fund Balance:			
Restricted	6,808	0	6,808
Total Liabilities and Fund Balance	\$ 6,808	26,298	33,106

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. 1-15, TEXAS COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL EXPENDABLE TRUST FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	GIFTS AND ENDOWMENTS FUND
Revenues Collected:	
Interest earnings	\$ 117
Expenditures:	
Support services	0
Excess of revenues collected over (under) expenditures	117
Cash fund balances, beginning of year	6,691
Cash fund balances, end of year	\$ 6,808

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	BALANCE 7-01-19	ADDITIONS	NET TRANFERS / ADJUSTMENTS	DEDUCTIONS	BALANCE 6-30-20
<u>ASSETS</u>					
Cash	\$ 31,937	51,842	(368)	57,113	26,298
<u>LIABILITIES</u>					
Funds held for school organizations:					
Miscellaneous	\$ 60	340	780	1,108	72
Jr/Sr Concession	258	14,760	(12,000)	913	2,105
Athletics	929	19,342	4,352	24,509	114
Vo-Ag	0	7,952		3,556	4,396
Cheerleading	606	95		97	604
Pool	3,892	0		0	3,892
Yearbook	2,274	167		758	1,683
Library	994	274		856	412
Music	2,149	4,189		5,288	1,050
Memorial Monies	130	0		0	130
Academic Team	194	2,882	300	3,216	160
FCA	14	0		0	14
Computer Department	207	0	50	228	29
Summer Program	547	0		0	547
Elementary	544	0		321	223
Life Program	6,038	0	(850)	0	5,188
Class of 2018	1,717	0		0	1,717
Class of 2019	194	0		0	194
Class of 2020	434	0	7,000	7,024	410
Class of 2021	93	1,707		684	1,116
Class of 2022	38	134		0	172
Class of 2023	58	0		0	58
Gifted and Talented	2,012	0		0	2,012
Unidentified adjustment	8,555	0		8,555	0
Total Liabilities	\$ 31,937	51,842	(368)	57,113	26,298

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REGULATORY BASIS**

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/19	Revenue Collected	Total Expenditures	Balance at 6/30/20
<u>U.S. Department of Education:</u>							
<u>Passed Through State Department of Education</u>							
Title I, Basic	84.010	511	45,483		36,819	45,483	8,664
Title I, Basic - Note	84.010			15,698	15,698		
IDEA-B Flowthrough	84.621	621	32,003		28,620	28,620	
IDEA-B Preschool	84.173	641	781		781	781	
Sub Total			<u>78,267</u>	<u>15,698</u>	<u>81,918</u>	<u>74,884</u>	<u>8,664</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
Child Nutrition Programs:							
School breakfast program	10.553	764			13,448	9,488	
National school lunch program	10.555	763			28,365	23,397	
Sub Total					<u>41,813</u>	<u>32,885</u>	
<u>Passed Through Department of Human Services</u>							
Non-cash assistance - Commodities - Note 3							
National school lunch program	10.555				5,028	5,028	
Total Federal Assistance			<u>\$ 78,267</u>	<u>15,698</u>	<u>128,759</u>	<u>112,797</u>	<u>8,664</u>

**Note** - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

**Note 1 - Basis of Presentation** - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2020. This information is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies** - Expenditures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. Expenditures are recognized when an approved purchase order is issued.

**Note 3 - Non-Monetary Assistance** - Commodities received by the District in the amount of \$5,028 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2020

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety	Treasurer	72203309	\$ 100,000	9/1/19 - 9/1/20
	Superintendent	72083295	100,000	7/17/19 - 7/17/20
	Encumbrance Clerk/AF Cust.	72203259	100,000	9/1/19 - 9/1/20
	Minutes clerk	72248093	1,000	1/1/20 - 12/31/20

HARDESTY INDEPENDENT SCHOOL DISTRICT NO. I-15, TEXAS COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2019 TO JUNE 30, 2020

State of Oklahoma            )  
  ) ss  
County of Tulsa             )

The undersigned auditing firm of lawful ages, 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 Hardesty Public Schools for the audit year 2019-20.

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP  
Auditing Firm

By   
Authorized Agent

Subscribed and sworn to before me  
This 2<sup>nd</sup> day of February, 2021



  
Notary Public (or Clerk or Judge)

My Commission Expires: 12/11/2024  
Commission No. 20014980



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

February 1, 2021

Ms. Frieda Burgess, Interim Supt.  
Hardesty Public Schools  
P.O. Box 129  
Hardesty, Oklahoma 73944-0129

Dear Ms. Burgess:

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

**The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they were not considered to be significant deficiencies or material weaknesses. They are observations of some minor findings that could evolve into significant deficiencies or material weaknesses if not addressed or corrected.**

General Fund Balance

We observed during the audit that the General Fund balance significantly decreased from the FY18-19 balance of \$314,744, to the FY19-20 balance of \$76,179. We are aware of funding cuts at the state level, however, we recommend that the District carefully monitor its revenues and expenditures during the current fiscal year so the General Fund will not end the current fiscal year with a negative balance.

Child Nutrition Coding

We observed that the District did not code enough expenditures to project codes 763 and 764, which are used for National School Lunch and National School Breakfast expenses, in an amount that would equal the amount of revenue received for these programs. We recommend that the District code, when possible, expenditures from the Child Nutrition Programs to be at least equal to the revenues received for the respective programs.

Payroll

During our review of payroll we were unable to reconcile the contract amount to the actual amount paid for one support employee, as no documentation was provided. We recommend that an earnings report be run at the end of each fiscal year, and all contracts be reconciled to actual amounts paid, and that any supporting documentation be maintained to reconcile any differences.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. Hewett". The signature is written in a cursive style with a large initial "J".

Jeff Hewett

For

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP