

AUDIT REPORT
PEGGS SCHOOL DISTRICT NO. CO31
PEGGS, CHEROKEE COUNTY, OKLAHOMA
JULY 1, 2020 THROUGH JUNE 30, 2021

AUDITED BY
DREW KIMBLE
Certified Public Accountant
104 S. Muskogee Ave.
TAHLEQUAH, OKLAHOMA

**PEGGS SCHOOL DISTRICT CO31
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2021**

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DREW KIMBLE
Certified Public Accountant

104 S. Muskogee Ave
Tahlequah, OK 74464
(918) 575 - 1873

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Peggs School District No. CO31
Peggs, Cherokee County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements - regulatory basis - of Peggs School District No. CO31, Cherokee County, Oklahoma as listed in the table of contents, as of and for the year ended June 30, 2021.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and qualified opinions.

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

As described in Note 1 (C) to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by the Peggs School District No. CO31, Cherokee County, Oklahoma, on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 (C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of 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 Peggs School District No. CO31, Cherokee County, Oklahoma as of June 30, 2021, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type and account group of Peggs School District No. CO31, Cherokee County, Oklahoma as of June 30, 2021, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in the Note 1 (C).

Other Matter

Other supplemental information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements-regulatory basis within the combined financial statements. The combining statements-regulatory basis and other supplementary information, including the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the combined financial statements-regulatory basis of the Peggs School District No. CO31.

The combining statements-regulatory basis, and other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial

statements-regulatory basis and certain additional procedures, including comparing and reconciling financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements-regulatory basis and the other supplementary information including the Schedule of Expenditures of Federal Awards, are fairly stated in all material respects in relation to the combined financial statements-regulatory basis taken as a whole on the regulatory basis of accounting described in Note 1 (C).

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my reported dated September 1, 2021, on my consideration of the Peggs School District No. CO31, Cherokee County, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 Peggs School District No. CO31, Cherokee County, Oklahoma's internal control over financial reporting and compliance.

September 1, 2021



Drew Kimble, CPA

COMBINED FINANCIAL STATEMENTS

PEGGS SCHOOL DISTRICT NO. C031
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2021

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	Total (Memorandum Only Note 1) 2021
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Long- Term Debt</u>	
<u>ASSETS</u>					
Cash and Investments	\$ 710,053.59	\$ 174,402.75	\$ 11,624.24	\$ -	\$ 896,080.58
Amount Available in Debt Service Fund	-	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-
Amount to be Provided for Capitalized Lease Agreements	-	-	-	56,664.07	56,664.07
Total Assets	<u>\$ 710,053.59</u>	<u>\$ 174,402.75</u>	<u>\$ 11,624.24</u>	<u>\$ 56,664.07</u>	<u>\$ 952,744.65</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Warrants Payable	\$ 30,619.45	\$ 3,045.26	\$ -	\$ -	\$ 33,664.71
Due to Others	-	-	11,624.24	-	11,624.24
General Obligation Bonds Payable	-	-	-	-	-
Capitalized Lease Obligations Payable	-	-	-	56,664.07	56,664.07
Total Liabilities	<u>30,619.45</u>	<u>3,045.26</u>	<u>11,624.24</u>	<u>56,664.07</u>	<u>101,953.02</u>
Fund Balances:					
Designated for Capital Projects	-	-	-	-	-
Designated for Debt Service	-	-	-	-	-
Undesignated	679,434.14	171,357.49	-	-	850,791.63
Total Fund Balances	<u>679,434.14</u>	<u>171,357.49</u>	<u>-</u>	<u>-</u>	<u>850,791.63</u>
Total Liabilities and Fund Balances	<u>\$ 710,053.59</u>	<u>\$ 174,402.75</u>	<u>\$ 11,624.24</u>	<u>\$ 56,664.07</u>	<u>\$ 952,744.65</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**PEGGS SCHOOL DISTRICT NO. C031
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS
 ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2021**

	Governmental Fund Types		Total (Memorandum Only
	General	Special Revenue	Note 1) 2021
<u>REVENUES:</u>			
Local Sources	\$ 305,706.43	\$ 122,379.36	\$ 428,085.79
Intermediate Sources	34,600.95	-	34,600.95
State Sources	1,499,666.74	15,785.49	1,515,452.23
Federal Sources	<u>447,396.08</u>	<u>206,880.30</u>	<u>654,276.38</u>
Total Revenues Collected	<u>2,287,370.20</u>	<u>345,045.15</u>	<u>2,632,415.35</u>
<u>EXPENDITURES:</u>			
Instruction	1,226,090.01	46,404.41	1,272,494.42
Support Services	764,709.77	106,797.79	871,507.56
Non-Instructional Services	4,994.44	151,135.47	156,129.91
Capital Outlay	-	-	-
Other Outlays	11,391.13	-	11,391.13
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Agent Charges	-	-	-
Total Expenditures	<u>2,007,185.35</u>	<u>304,337.67</u>	<u>2,311,523.02</u>
Other Financing Sources (Uses):			
Bond Sale Proceeds	-	-	-
Excess of Revenues Over (Under) Expenditures	<u>280,184.85</u>	<u>40,707.48</u>	<u>320,892.33</u>
Adjustments to Prior Year Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	280,184.85	40,707.48	320,892.33
Beginning Fund Balances	<u>399,249.29</u>	<u>130,650.01</u>	<u>529,899.30</u>
Ending Fund Balances	<u>\$ 679,434.14</u>	<u>\$ 171,357.49</u>	<u>\$ 850,791.63</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

PEGGS SCHOOL DISTRICT NO. C031
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			Special Revenue Funds (Building and Child Nutrition Only)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES COLLECTED:						
Local sources	\$ 183,751.30	\$ 183,751.30	\$ 305,706.43	\$ 26,228.40	\$ 26,228.40	\$ 61,954.11
Intermediate sources	31,386.23	31,386.23	34,600.95	-	-	-
State sources	1,519,456.78	1,519,456.78	1,499,666.74	1,282.16	1,282.16	1,529.32
Federal sources	253,555.34	253,555.34	447,396.08	117,140.34	117,140.34	206,880.30
Total revenues collected	<u>1,988,149.65</u>	<u>1,988,149.65</u>	<u>2,287,370.20</u>	<u>144,650.90</u>	<u>144,650.90</u>	<u>270,363.73</u>
EXPENDITURES PAID:						
Instruction	1,502,398.94	1,502,398.94	1,226,090.01	-	-	-
Support services	850,000.00	850,000.00	764,709.77	143,386.64	143,386.64	87,044.64
Non-instructional services	10,000.00	10,000.00	4,994.44	130,403.29	130,403.29	151,135.47
Capital outlays	-	-	-	-	-	-
Other outlays	25,000.00	25,000.00	11,391.13	-	-	-
Total expenditures paid	<u>2,387,398.94</u>	<u>2,387,398.94</u>	<u>2,007,185.35</u>	<u>273,789.93</u>	<u>273,789.93</u>	<u>238,180.11</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(399,249.29)</u>	<u>(399,249.29)</u>	<u>280,184.85</u>	<u>(129,139.03)</u>	<u>(129,139.03)</u>	<u>32,183.62</u>
Adjustments to prior year encumbrances	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(399,249.29)	(399,249.29)	280,184.85	(129,139.03)	(129,139.03)	32,183.62
Fund balance, beginning of year	<u>399,249.29</u>	<u>399,249.29</u>	<u>399,249.29</u>	<u>129,139.03</u>	<u>129,139.03</u>	<u>129,139.03</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,434.14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,322.65</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Peggs School District No. CO31 (the “District”) have been prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is an other comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The accounting policies are prescribed or permitted by the Oklahoma State Department of Education and conform to the system of accounting authorized by the State of Oklahoma. The following is a summary of the more significant accounting policies:

A. REPORTING ENTITY

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes, and accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education, and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, 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.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

The Board of School Trustees (Board), an elected three member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public school education within the jurisdiction of the local dependent school district. The Board receives funding from local, state, and federal government sources, and must comply with the requirements of these funding source entities. However, the Board 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.

B. FUND ACCOUNTING

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

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

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

Governmental Fund Types

Governmental Funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund includes federal and state restricted monies that must be expended for specific programs.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - The first Special Revenue Fund is the District's Building 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 second Special Revenue Fund is the Child Nutrition Fund, a Special Revenue Fund used to account for monies derived from federal and state reimbursement and local food service collections.

The third Special Revenue fund is the Special Education Cooperative Fund, whereby five school districts have pooled special education funding and other local monies. This fund accounts for these monies.

Debt Service Fund - The Debt Service Fund is the District's Sinking fund used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not have a Debt Service Fund ins fiscal year 2020-2021.

Capital Projects Fund - The Capital Projects Fund is the District's Bond Fund used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, construction and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District did not have a Capital Projects Fund in fiscal year 2020-2021.

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (Internal Service Funds). The District does not have any Proprietary Funds.

Fiduciary Fund Types

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

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Fund - The Agency Fund is the School Activities Fund used to account for monies collected principally through fund-raising efforts of the 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

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.

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 debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

General Fixed Asset Account Group - This account group is used to account for property, plant, and equipment of the District. This District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes.

Memorandum Only - Total Column

The total column on the 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 or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. BASIS OF ACCOUNTING

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 - and Management's Discussion and Analysis - for State and Local Governments*. This format significantly differs from that required by GASB 34.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (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 and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which 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 and liabilities are incurred for proprietary fund types and trust funds.

D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate. A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Funds (Building Fund and Child Nutrition Fund) that includes revenues and expenditures.

The 2020-2021 Estimate of Needs was approved by the Board and subsequently filed with the county clerk. The Estimate of Needs was approved by the excise board and the requested levies were made.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ENCUMBRANCES

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. Appropriations not used or encumbered lapse at the end of the year.

F. ASSETS, LIABILITIES, AND FUND EQUITY

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

Investments - Investments consist of bank certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2021, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

Fixed Assets and Property, Plant, and Equipment - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Compensated Absences - In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits or vacation leave. Vested accumulated rights to receive sick pay benefits or vacation leave would be reported in the General Long-Term Debt Account Group since none of the vested sick leave is expected to be liquidated with expendable available financial resources; however, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt - Long-Term Debt is recognized as a liability of 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.

G. REVENUES, EXPENSES, AND EXPENDITURES

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

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

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the General Fund.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenues, expenditures, or expenses in the fund that is reimbursed.

Interfund Transactions

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 operating transfers or residual equity transfers during fiscal year 2021.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risk Management - The District participates in a risk pool for worker's 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 District reports the required contribution to the pool, net of refunds, as insurance expense.

Subsequent Events - Subsequent events have been evaluated through September 1, 2021, which is the date the financial statements were available to be issued.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2: CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies, certificates of deposit of savings and loan associations, and bank and trust companies, savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the District's investment policy:

Deposits and Investments - The District's cash deposits and investments at June 30, 2021, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the District or by its agent in the District's name.

Therefore, the District's cash deposits and investments at June 30, 2021, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-20</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable At 6-30-21</u>
U.S. DEPARTMENT OF EDUCATION					
<u>Direct Programs:</u>					
Title VIII Impact Aid CFDA 84.041	\$ 33,327.00	\$ -	\$ 33,327.00	\$ 33,327.00	\$ -
Indian Ed CFDA 84.060A	35,130.00	-	35,130.00	35,130.00	-
Rural Education Achieve. CFDA 84.358A	4,700.00	-	4,700.00	4,700.00	-
<u>Pass-through State Department of Education</u>					
REAP Title II - Part A CFDA 84.367	26,228.34	-	26,228.34	26,228.34	-
Title I CFDA 84.010	56,468.68	-	56,468.68	56,468.68	-
FY20 Cares CFDA 84.425	47,203.51	22,389.90	47,203.51	24,813.61	-
ESSERF CFDA 84.425	40,640.00	-	40,640.00	40,640.00	-
ESSERF II CFDA 84.425	184,396.80	-	184,396.80	184,396.80	-
Special Education Cluster					
Flow Through IDEA B CFDA 84.027	45,586.28	-	45,586.28	45,586.28	-
Preschool IDEA B CFDA 84.173	-	-	3,246.67	3,246.67	-
Total for Program (Cluster)	<u>45,586.28</u>	<u>-</u>	<u>48,832.95</u>	<u>48,832.95</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE					
<u>Pass-through State Department of Education</u>					
Child Nutrition Cluster					
School Breakfast Program - cash assistance	66,695.40	(9,667.10)	66,695.40	58,209.40	(18,153.10)
National School Lunch Program:					
Cash Assistance	106,857.90	(4,008.79)	106,857.90	64,268.27	(46,598.42)
<u>Pass-through State Department of Human Services</u>					
Non-cash Assistance: commodities	12,584.41	-	12,584.41	12,584.41	-
Total Program (Cluster)	<u>-</u>	<u>(13,675.89)</u>	<u>186,137.71</u>	<u>135,062.08</u>	<u>(64,751.52)</u>
Other Federal Program					
Medicaid	5,116.33	-	5,116.33	4,798.92	(317.41)
Total Federal Grants and Assistance		<u>\$ 8,714.01</u>	<u>\$ 668,181.32</u>	<u>\$ 594,398.38</u>	<u>\$ (65,068.93)</u>

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2021.

NOTE 5: 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 the approval by the District's voters. General long term debt of the District consists of a lease purchase agreement.

The following is a summary of the long term debt transactions of the District for the year ended June 30 2021:

	Capital Lease Obligations
Balance July 1, 2020	\$ 92,822.35
Additions	0.00
Retirements	<u>36,158.28</u>
Balance June 30, 2021	\$ <u>56,664.07</u>

The District is in the third of a three year operating lease for the lease of 3 buses with annual payments of \$14,000 per bus.

As disclosed in Note 1 to the Financial Statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the General Long-Term Account Group.

NOTE 6: OTHER POST EMPLOYMENT BENEFITS

The District adopted a retirement incentive program on April 10, 2019.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM

The District participates in the state administered Oklahoma Teacher's Retirement System (The "System"), which is a cost-sharing, multiple employer public employee retirement system (PERS). Under the system contributions are made by the District, the State of Oklahoma, and the participating employees.

Participation is required for all teachers and other certified employees, and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System, nor has it any liability, except for the current contribution requirements.

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

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

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

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer paid fringe benefits.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7: EMPLOYMENT RETIREMENT SYSTEM (continued)

The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2021. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

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 Oklahoma Teacher Retirement System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Oklahoma Teacher's Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

NOTE 8: CONTINGENCIES AND OTHER COMMITMENTS

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.

NOTE 9: INSURANCE COVERAGE

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and worker's compensation. The District also purchases surety bonds for employees in all positions required by state law to be bonded.

**PEGGS SCHOOL DISTRICT NO. CO31
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 10: ACCUMULATED UNPAID VACATION, SICK LEAVE BENEFITS, AND HEALTH CARE COVERAGE

The District provides sick leave benefits to the certified staff in accordance with Title 70, Article 6-104, of the Oklahoma statutes, which provides for an annual accrual of sick leave of ten days and personal business days accrual of three days. Ten days are allowed to accumulate up to a total of 60 days per employee. None of the benefits are payable upon retirement or death. The District pays for 80% of the health care premiums for its staff.

NOTE 11: SCHEDULE OF STATUTORY, FIDELITY, AND HONEST BONDS

<u>Position</u>	<u>Bonded By</u>	<u>Policy Number</u>	<u>Term</u>	<u>Amount</u>
Superintendent	Western Surety	70752612	07/01/20-07/01/21	\$100,000.00
Treasurer	Ohio Casualty	LSF041641	09/01/20-09/01/21	100,000.00
Activity Fund	Western Surety	68433784	09/01/20-09/01/21	5,000.00
Lunch Fund Clerk		“		5,000.00
Encumbrance Clerk		“		5,000.00
Minutes Clerk		“		5,000.00

COMBINING FINANCIAL STATEMENTS

PEGGS SCHOOL DISTRICT NO. CO31
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2021

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Co-Op Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Investments	\$ 115,324.11	\$ 48,304.31	\$ 10,774.33	\$ 174,402.75
Total Assets	<u>\$ 115,324.11</u>	<u>\$ 48,304.31</u>	<u>\$ 10,774.33</u>	<u>\$ 174,402.75</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Warrants Payable	\$ -	\$ 2,305.77	\$ 739.49	\$ 3,045.26
Total Liabilities	<u>-</u>	<u>2,305.77</u>	<u>739.49</u>	<u>3,045.26</u>
Fund Balances:				
Undesignated	<u>115,324.11</u>	<u>45,998.54</u>	<u>10,034.84</u>	<u>171,357.49</u>
Total Fund Balances	<u>115,324.11</u>	<u>45,998.54</u>	<u>10,034.84</u>	<u>171,357.49</u>
Total Liabilities and Fund Balances	<u>\$ 115,324.11</u>	<u>\$ 48,304.31</u>	<u>\$ 10,774.33</u>	<u>\$ 174,402.75</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

PEGGS SCHOOL DISTRICT NO. C031
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2021

	Building Fund	Child Nutrition Fund	Co-Op Fund	Total (Memorandum Only Note 1) 2021
<u>REVENUES:</u>				
Local Sources	\$ 51,883.51	\$ 10,070.60	\$ 60,425.25	\$ 122,379.36
Intermediate Sources	-	-	-	-
State Sources	-	1,529.32	14,256.17	15,785.49
Federal Sources	33,327.00	173,553.30	-	206,880.30
Total Revenues Collected	<u>85,210.51</u>	<u>185,153.22</u>	<u>74,681.42</u>	<u>345,045.15</u>
<u>EXPENDITURES:</u>				
Instruction	-	-	46,404.41	46,404.41
Support Services	87,044.64	-	19,753.15	106,797.79
Non-Instructional Services	-	151,135.47	-	151,135.47
Capital Outlay	-	-	-	-
Other Outlays	-	-	-	-
Total Expenditures	<u>87,044.64</u>	<u>151,135.47</u>	<u>66,157.56</u>	<u>304,337.67</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,834.13)</u>	<u>34,017.75</u>	<u>8,523.86</u>	<u>40,707.48</u>
Adjustments to Prior Year Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,834.13)	34,017.75	8,523.86	40,707.48
Beginning Fund Balances	<u>117,158.24</u>	<u>11,980.79</u>	<u>1,510.98</u>	<u>130,650.01</u>
Ending Fund Balances	<u>\$ 115,324.11</u>	<u>\$ 45,998.54</u>	<u>\$ 10,034.84</u>	<u>\$ 171,357.49</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

PEGGS SCHOOL DISTRICT NO. C031
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REGULATORY BASIS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds					
	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<u>REVENUES COLLECTED:</u>						
Local sources	\$ 26,228.40	\$ 26,228.40	\$ 51,883.51	\$ -	\$ -	\$ 10,070.60
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	1,282.16	1,282.16	1,529.32
Federal sources	-	-	33,327.00	117,140.34	147,140.34	173,553.30
Total revenues collected	<u>26,228.40</u>	<u>26,228.40</u>	<u>85,210.51</u>	<u>118,422.50</u>	<u>148,422.50</u>	<u>185,153.22</u>
<u>EXPENDITURES PAID:</u>						
Instruction	-	-	-	-	-	-
Support services	143,386.64	143,386.64	87,044.64	-	-	-
Non-instructional services	-	-	-	130,403.29	160,403.29	151,135.47
Capital outlays	-	-	-	-	-	-
Other outlays	-	-	-	-	-	-
Total expenditures paid	<u>143,386.64</u>	<u>143,386.64</u>	<u>87,044.64</u>	<u>130,403.29</u>	<u>160,403.29</u>	<u>151,135.47</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(117,158.24)</u>	<u>(117,158.24)</u>	<u>(1,834.13)</u>	<u>(11,980.79)</u>	<u>(11,980.79)</u>	<u>34,017.75</u>
Adjustments to prior year encumbrances	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(117,158.24)</u>	<u>(117,158.24)</u>	<u>(1,834.13)</u>	<u>(11,980.79)</u>	<u>(11,980.79)</u>	<u>34,017.75</u>
Fund balance, beginning of year	<u>117,158.24</u>	<u>117,158.24</u>	<u>117,158.24</u>	<u>11,980.79</u>	<u>11,980.79</u>	<u>11,980.79</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,324.11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,998.54</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**PEGGS SCHOOL DISTRICT NO. C031
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REGULATORY BASIS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Co-Op</u>		
	<u>Building Fund</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>REVENUES COLLECTED:</u>			
Local sources	\$ 60,000.00	\$ 60,000.00	\$ 60,425.25
Intermediate sources	-	-	-
State sources	14,256.17	14,256.17	14,256.17
Federal sources	-	-	-
Total revenues collected	<u>74,256.17</u>	<u>74,256.17</u>	<u>74,681.42</u>
<u>EXPENDITURES PAID:</u>			
Instruction	50,767.15	50,767.15	46,404.41
Support services	25,000.00	25,000.00	19,753.15
Non-instructional services	-	-	-
Capital outlays	-	-	-
Other outlays	-	-	-
Total expenditures paid	<u>75,767.15</u>	<u>75,767.15</u>	<u>66,157.56</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(1,510.98)</u>	<u>(1,510.98)</u>	<u>8,523.86</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(1,510.98)	(1,510.98)	8,523.86
Fund balance, beginning of year	<u>1,510.98</u>	<u>1,510.98</u>	<u>1,510.98</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,034.84</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

PEGGS SCHOOL DISTRICT NO. C031
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Agency Fund Activity Fund</u>	<u>Total 2021</u>
<u>ASSETS</u>		
Cash and Investments	\$ 11,624.24	\$ 11,624.24
Total Assets	<u>\$ 11,624.24</u>	<u>\$ 11,624.24</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Due to Student Groups	\$ 11,624.24	\$ 11,624.24
Total Liabilities	<u>\$ 11,624.24</u>	<u>\$ 11,624.24</u>
Fund Balances:		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 11,624.24</u>	 <u>\$ 11,624.24</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**PEGGS SCHOOL DISTRICT NO. C031
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - FIDUCIARY FUNDS
JUNE 30, 2021**

	Agency Funds			
	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>ACTIVITIES</u>				
Student Activities	\$ 12,225.93	\$ 59,515.18	\$ 60,116.87	\$ 11,624.24
Total - All Agency Funds	<u>\$ 12,225.93</u>	<u>\$ 59,515.18</u>	<u>\$ 60,116.87</u>	<u>\$ 11,624.24</u>
<u>ASSETS</u>				
Cash	\$ 12,225.93	\$ 59,515.18	\$ 60,116.87	\$ 11,624.24
Total Assets	<u>\$ 12,225.93</u>	<u>\$ 59,515.18</u>	<u>\$ 60,116.87</u>	<u>\$ 11,624.24</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 12,225.93	\$ 59,515.18	\$ 60,116.87	\$ 11,624.24
Total Liabilities	<u>\$ 12,225.93</u>	<u>\$ 59,515.18</u>	<u>\$ 60,116.87</u>	<u>\$ 11,624.24</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

PEGGS SCHOOL DISTRICT NO. C031
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND
JUNE 30, 2021

	<u>School Activity Fund</u>	<u>Christmas Fund</u>	<u>8th Grade Fund</u>	<u>Employee Fund</u>	<u>Academics Fund</u>	<u>Totals 2021</u>
<u>ASSETS</u>						
Cash and Investments	\$ 7,574.19	\$ -	\$ 127.36	\$ 1,043.02	\$ 2,879.67	\$ 11,624.24
Total Assets	<u>\$ 7,574.19</u>	<u>\$ -</u>	<u>\$ 127.36</u>	<u>\$ 1,043.02</u>	<u>\$ 2,879.67</u>	<u>\$ 11,624.24</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to Others	\$ 7,574.19	\$ -	\$ 127.36	\$ 1,043.02	\$ 2,879.67	\$ 11,624.24
Total Liabilities	<u>\$ 7,574.19</u>	<u>\$ -</u>	<u>\$ 127.36</u>	<u>\$ 1,043.02</u>	<u>\$ 2,879.67</u>	<u>\$ 11,624.24</u>
Fund Balances:						
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 7,574.19</u>	<u>\$ -</u>	<u>\$ 127.36</u>	<u>\$ 1,043.02</u>	<u>\$ 2,879.67</u>	<u>\$ 11,624.24</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**PEGGS SCHOOL DISTRICT NO. CO31
SCHEDULE OF FEDERAL AWARDS EXPENED
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Balance at June 30, 2020</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Balance at June 30, 2021</u>
U.S. DEPARTMENT OF EDUCATION						
<i><u>Direct Programs:</u></i>						
Title VIII Impact Aid	84.041	591	\$ -	\$ 33,327.00	\$ 33,327.00	\$ -
Title VII	84.060	561	-	35,130.00	35,130.00	-
Rural Education Achievement	84.358A	588	-	4,700.00	4,700.00	-
			<u>-</u>	<u>73,157.00</u>	<u>73,157.00</u>	<u>-</u>
<i><u>Pass-through State Department of Education</u></i>						
REAP Title II - Part A	84.367	586	-	26,228.34	26,228.34	-
Title I	84.010	511	-	56,468.68	56,468.68	-
FY20 Cares	84.425	788	22,389.90	47,203.51	24,813.61	-
ESSERF	84.425	788	-	40,640.00	40,640.00	-
ESSERF II	84.425	788	-	184,396.80	184,396.80	-
Special Education Cluster						
Flow Through IDEA B	84.027	621	-	45,586.28	45,586.28	-
Preschool IDEA B	84.173	641	-	3,246.67	3,246.67	-
Total for Program (Cluster)			<u>-</u>	<u>48,832.95</u>	<u>48,832.95</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE						
<i><u>Pass-through State Department of Education</u></i>						
Child Nutrition Cluster						
School Breakfast Program - Cash Assistance	10.553	764	(9,667.10)	66,695.40	58,209.40	(18,153.10)
National School Lunch Program:						
Lunch CFDA	10.555	763	(4,008.79)	106,857.90	64,268.27	(46,598.42)
<i><u>Pass-through State Department of Human Services</u></i>						
Non Cash Assistance: Commodities - Note 2	10.550	385	-	12,584.41	12,584.41	-
Total for Program (Cluster)			<u>(13,675.89)</u>	<u>186,137.71</u>	<u>135,062.08</u>	<u>(64,751.52)</u>
Other Federal Programs						
Medicaid	93.778	698	-	5,116.33	4,798.92	(317.41)
TOTAL FEDERAL ASSISTANCE			<u>\$ 8,714.01</u>	<u>\$ 668,181.32</u>	<u>\$ 594,398.38</u>	<u>\$ (65,068.93)</u>

Note 1 - Funds were expended and properly reported in prior years.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by the amount.

Note 3 - Basis of Accounting: is presented on an other comprehensive basis of accounting conforming with accounting practices prescribed or permitted by the Oklahoma State Department of Education.

DREW KIMBLE
Certified Public Accountant

104 S. Muskogee Ave
Tahlequah, OK 74464
(918) 575 - 1873

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

The Honorable Board of Education
Peggs School District No. CO31
Cherokee County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis of the Peggs School District No. CO31, Cherokee County, Oklahoma (District), as listed in the Table of Contents, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated September 1, 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, my 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 my audit, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over.

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 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.

My 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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations during my audit I did not identify any deficiencies in internal control I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Peggs School District No. CO31's financial statements are free of misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

September 1, 2021

A handwritten signature in black ink that reads "Drew Kimble". The signature is written in a cursive, slightly stylized font.

Drew Kimble, CPA

**PEGGS SCHOOL DISTRICT NO. CO31
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2020 TO JUNE 30, 2021**

State of Oklahoma

County of Cherokee

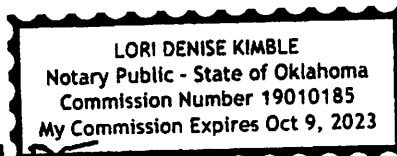
The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Peggs School for the audit year 2020-2021.

Drew Kimble, C.P.A.

By DREW KIMBLE
Authorized Agent

Subscribed and sworn to before me this 13 day of OCTOBER, 2021.

LORI DENISE KIMBLE
Notary Public



My Commission Number: 19010185

My Commission Expires: 10/9/2023

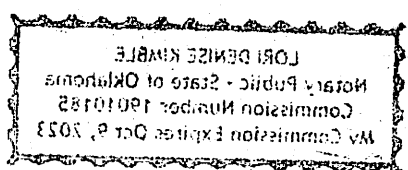
NOTARIAL PUBLIC STATE OF OKLAHOMA
LORI DENISE KIMBLE
Commission Expires Oct 9, 2023

Notary Public
State of Oklahoma

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in my records.

Lori Kimble

Notary Public State of Oklahoma



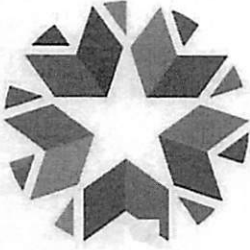
Lori Kimble

Notary Public State of Oklahoma

**PEGGS SCHOOL DISTRICT NO. CO31
STATEMENT OF PRIOR YEAR FINDINGS
JUNE 30, 2021**

PRIOR YEAR FINDINGS:

There were no prior year findings.



OKLAHOMA Education

Audit Acknowledgement

Audit Year: 2020-2021

District Name PEGGS SCHOOL

District Number C031

County Name CHEROKEE

County Code

The annual independent audit was presented to the Board of Education in a meeting conducted in accordance with the Open Meeting Act 25 O.S. Section 301-314 on 10/13/2021.

The audit was presented by DREW KIMBLE (independent Auditor) Date of Meeting 10/13/2021
[Signature] (Independent Auditor's Signature)

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

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

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

Signature of the Board of Education:

[Signature]
Superintendent
[Signature]
Board of Education President

[Signature]
Board of Education Vice President
[Signature]
Board of Education Member

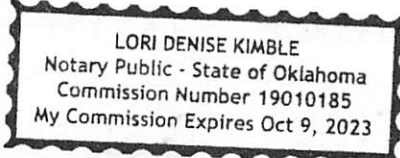
Board of Education Member

Board of Education Member

Board of Education Member

Subscribed and sworn before me on 10/13/21
[Signature]
(Notary Public)

My Commission expires Oct 9, 2023



Updated 7/2021

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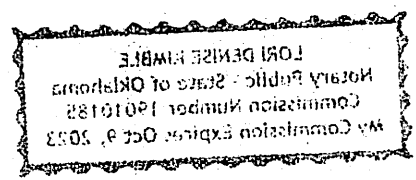
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DREW KIMBLE
Certified Public Accountant

104 S. Muskogee Ave
Tahlequah, OK 74464
(918) 575 - 1873

Date: September 1, 2021

Client: Peggs School District

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

I would like to take this opportunity to extend my sincere appreciation to the staff of Peggs School for allowing my interruption of their busy work schedules while conducting the audit field work.

In planning and performing my audit of the financial statements of Peggs School for the year ended June 30, 2021, I considered the organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters that are presented for your consideration. I will review the status of these comments during the next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Expenditure Testing

During testing of expenditures, we noted one credit card invoice that had tax paid on a purchase.

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the organization to provide oversight and independent review functions. This is always an issue in small to medium sized school districts, especially in the areas of cash collections and disbursements.



Drew Kimble
Certified Public Accountant