

**Zaneis School District No. CO72**  
**Carter County, Oklahoma**  
Financial Statements  
Year-End June 30, 2022

**ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma**

**School District Officials  
July 01, 2021 to June 30, 2022**

***Board of Education***

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

***Clerk of Board of Education***

Michael Phelps

***School District Treasurer***

Beth Billingsley

***Administrative Principal of School***

Ryan Cole

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

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the Zaneis School District No. CO72, Carter County, Oklahoma which comprise the combined statement of assets, liabilities and fund equity – all fund types and account groups as of June 30, 2022, and the related combined statement of revenues collected and expenditures paid and changes in cash fund balances – regulatory basis for the year then ended, and the related notes to the financial statements.

#### *Qualified Opinion on Account Groups*

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

#### *Unmodified Opinion on Fund Types*

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions for each fund type of the Zaneis School District No. CO72, Carter County, Oklahoma as of June 30, 2022, and the revenues it collected and expenditures it paid and budgetary results for the year then ended, in accordance with the financial reporting provisions of Oklahoma State Department of Education as described in Note 1.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Zaneis School District No. CO72, Carter County, Oklahoma as of June 30, 2022, or changes in net position, or cash flows thereof for the year then ended.

## **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Zaneis School District No. CO72, Carter County, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Basis for Qualified Opinion on the Account Groups*

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

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

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

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Zaneis School District No. CO72's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zaneis School District No. CO72's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

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

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting and compliance.

*Mary E Johnson & Associates PLLC*

Norman, Oklahoma  
March 20, 2023



Zaneis School District No. CO72  
Carter County, Oklahoma  
Combined Statement of Assets, Liabilities and Fund Balance  
Regulatory Basis – All Governmental Fund Types and Account Groups  
June 30, 2022

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	Total (memorandum only - Note 1) June 30, 2022
	General	Special Revenue	Trust and Agency	General Long Term Debt	
<u>ASSETS</u>					
Cash	\$ 1,224,841	\$ 630,102	\$ 66,107	\$ -	\$ 1,921,050
Total Assets	<u>\$ 1,224,841</u>	<u>\$ 630,102</u>	<u>\$ 66,107</u>	<u>\$ -</u>	<u>\$ 1,921,050</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Warrants payable	\$ 287,155	\$ 56,139	\$ -	\$ -	\$ 343,294
Due to others	-	-	66,107	-	66,107
Total Liabilities	<u>287,155</u>	<u>56,139</u>	<u>66,107</u>	<u>-</u>	<u>409,401</u>
Fund Balance					
Restricted					
Building Services	-	212,331	-	-	212,331
Child Nutrition Services	-	126,157	-	-	126,157
Capital Projects	-	235,475	-	-	235,475
Unassigned	937,686	-	-	-	937,686
Total Cash Fund Balances	<u>937,686</u>	<u>573,963</u>	<u>-</u>	<u>-</u>	<u>1,511,649</u>
Total Liabilities and Fund Balance	<u>\$ 1,224,841</u>	<u>\$ 630,102</u>	<u>\$ 66,107</u>	<u>\$ -</u>	<u>\$ 1,921,050</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

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

Regulatory Basis – All Governmental Fund Types

For the Year Ended June 30, 2022

	Governmental Fund Types		Total
	General	Special Revenue	(memorandum only - Note 1) June 30, 2022
Revenues collected:			
Local sources	\$ 487,546	\$ 101,402	\$ 588,948
Intermediate sources	93,106	-	93,106
State sources	1,762,024	159,170	1,921,194
Federal sources	845,957	325,489	1,171,446
Total Revenues Collected	<u>3,188,633</u>	<u>586,061</u>	<u>3,774,694</u>
Expenditures paid:			
Instruction	1,751,882	26,076	1,777,958
Support services	1,208,993	-	1,208,993
Non-Instructional services	545	386,218	386,763
Capital outlay	33,950	67,680	101,630
Total expenditures paid	<u>2,995,370</u>	<u>527,053</u>	<u>3,522,423</u>
Excess of revenues collected over (under) expenditures paid	193,263	59,008	252,271
Cash fund balances, beginning of year	<u>744,423</u>	<u>514,955</u>	<u>1,259,378</u>
Cash fund balances, end of year	<u>\$ 937,686</u>	<u>\$ 573,963</u>	<u>\$ 1,511,649</u>

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

Zaneis School District No. CO72

Carter County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual  
Regulatory Basis – Budgeted Governmental Fund Types  
For the Year Ended June 30, 2022

	General Fund				Building and Child Nutrition Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 744,424	\$ 744,424	\$ 744,424	\$ -	\$ 338,060	\$ 338,060	\$ 338,060	\$ -
Revenues collected:								
Local sources	456,080	456,080	487,546	31,466	77,928	77,928	101,402	23,474
Intermediate sources	80,000	80,000	93,106	13,106	-	-	-	-
State sources	1,516,831	1,516,831	1,762,024	245,193	38,654	38,654	74,514	35,860
Federal sources	1,459,761	1,459,761	845,957	(613,804)	329,000	329,000	325,489	(3,511)
Total Revenues Collected	<u>3,512,672</u>	<u>3,512,672</u>	<u>3,188,633</u>	<u>(324,039)</u>	<u>445,582</u>	<u>445,582</u>	<u>501,405</u>	<u>55,823</u>
Expenditures paid:								
Instruction	2,453,000	2,453,000	1,751,882	701,118	-	-	-	-
Support services	1,747,296	1,747,296	1,208,993	538,303	-	-	-	-
Non-Instructional services	800	800	545	255	503,714	503,714	386,218	117,496
Capital outlay	56,000.00	56,000.00	33,950	22,050	199,927	199,927	67,680	132,247
Other outlays	-	-	-	-	80,000	80,000	47,079	32,921
Total Expenditures paid	<u>4,257,096</u>	<u>4,257,096</u>	<u>2,995,370</u>	<u>1,261,726</u>	<u>783,641</u>	<u>783,641</u>	<u>500,977</u>	<u>282,664</u>
Excess of revenues collected over (under) expenditures paid	(744,424)	(744,424)	193,263	937,687	(338,059)	(338,059)	428	338,487
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,687</u>	<u>\$ 937,687</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 338,488</u>	<u>\$ 338,487</u>

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

End cash fund balances from Budgetary Comparison Schedule:	\$ 338,488
Nonappropriated fund: County Sales Tax Fund Cash fund balance:	<u>235,475</u>
End cash fund balance per Statement of Revenues Collected, Expenditures Paid and changes in Fund balances - Special Revenues	<u>\$ 573,963</u>

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Zaneis School District, CO72, Carter County, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**A. The Reporting Entity**

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

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

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the district and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

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

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

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

*Governmental Fund Types*

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

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

Special Revenue Fund - The special revenue fund consists of the District's Building Fund, Child Nutrition Fund, and Municipal Tax Fund. The Building fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment. The Child Nutrition Fund derives monies from local sources for meals. Reimbursements are received from state and federal sources for reimbursement of free and reduced lunches. The Municipal Sales Tax Fund consists of monies derived from a county sales tax collected on behalf of the school district for purposes of technology equipment and instruction and classroom materials.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

*Fiduciary Fund Types*

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

*Account Groups*

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds. The District does not include a general fixed-assets account group.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal.

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

*Memorandum Only - Total Column*

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

**C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting and Presentation (continued)**

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

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

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

**D. Budgets and Budgetary Accounting**

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**D. Budget and Budgetary Accounting (continued)**

Under current Oklahoma Statutes a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**E. Assets Liabilities and Fund Equity**

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

*Property Tax Revenues* - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first halves of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid for a period of three years or more as of the date such taxes first become due, the property is offered for sale for the amount of taxes due.

*Inventories* - The value of consumable inventories at June 30, 2022 is not material to the financial statements.

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



Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**E. Assets Liabilities and Fund Equity (continued)**

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

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

**F. Revenue, Expenses and Expenditures**

*State Revenues* - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 65% of the District's General Fund revenue comes from state sources.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical education program revenues be accounted for in the general fund.

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

Zaneis School District No. CO72  
 Carter County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2022

**1. Summary of Significant Accounting Policies (continued)**

**F. Revenue, Expenses and Expenditures (continued)**

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

**2. Cash**

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

As of June 30, 2022, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

**3. General Long Term Debt**

General long-term debt of the District consists of a Financed lease purchase. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance
Financed Lease Purchase (direct borrowing)	\$ 46,283	\$ -	\$ 46,283	\$ -
	\$ 46,283	\$ -	\$ 46,283	\$ -

***Financed Lease Purchase***

The District entered into a lease agreement as lessee for financing the acquisition of land. For accounting purposes since the title transfers at the end of the lease term, it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which provides the ability to terminate the agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt group. The lease was paid off during the fiscal year, which ended the obligation a year early.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

#### 4. Employee Retirement System

##### Teachers' Retirement System of Oklahoma

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

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2022, qualifying employee contributions were reduced by a retirement credit of \$12,410 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2022, the District had a statutory contribution rate of 9.5% plus 7.90% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2022, the District contributions to the System were \$154,156.

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

#### 5. Other Post-Employment Benefits (OPEB)

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers' Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS). Plan Description – The OPEB System provides pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

**5. Other Post-Employment Benefits (OPEB) (continued)**

the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

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

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

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

**6. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

During 2022, the world-wide coronavirus pandemic declared in March 2020 continues to impacted local, national and global economies. The District is closely monitoring their operations and available fund balances and actively working to minimize current and future impacts of this unprecedented situation. As of the date of issuances of these financial statements, the current and future full impacts to the District is not known.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2022

impacts of this unprecedented situation. As of the date of issuances of these financial statements, the current and future full impacts to the District is not known.

**7. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

**8. Tax Abatement**

The State of Oklahoma has authorized by Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District. For the year ended June 30, 2022, the District had \$9,700 in abated ad valorem tax revenues.

**9. Subsequent Event**

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Assets, Liabilities and Fund Balance – Regulatory Basis  
All Special Revenue Funds  
June 30, 2022

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>County Sales Tax Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 259,410	\$ 135,217	\$ 235,475	\$ 630,102
Total Assets	<u>\$ 259,410</u>	<u>\$ 135,217</u>	<u>\$ 235,475</u>	<u>\$ 630,102</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 47,079	\$ 9,060	\$ -	\$ 56,139
Total Liabilities	<u>47,079</u>	<u>9,060</u>	<u>-</u>	<u>56,139</u>
 Fund Balance:				
Restricted:				
Building Services	212,331	-	-	212,331
Child Nutrition Services	-	126,157	-	126,157
Capital Projects	-	-	235,475	235,475
Total Cash Fund Balances	<u>212,331</u>	<u>126,157</u>	<u>235,475</u>	<u>573,963</u>
Total Liabilities and Fund Balance	<u>\$ 259,410</u>	<u>\$ 135,217</u>	<u>\$ 235,475</u>	<u>\$ 630,102</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Regulatory Basis  
All Special Revenue Funds  
For the Year Ended June 30, 2022

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>County Sales Tax Fund</u>	<u>Total</u>
Revenues collected:				
Local sources	\$ 65,972	\$ 35,430	\$ -	\$ 101,402
State Sources	34,117.00	40,397	84,656	159,170
Federal Sources	-	325,489	-	325,489
Total Revenues Collected	<u>100,089</u>	<u>401,316</u>	<u>84,656</u>	<u>586,061</u>
Expenditures paid:				
Instructional Services	-	-	26,076	26,076
Support Services	-	-	-	-
Non-Instructional Services	-	386,218	-	386,218
Capital outlay	67,680	-	-	67,680
Total expenditures paid	<u>114,759</u>	<u>386,218</u>	<u>26,076</u>	<u>500,977</u>
Excess of revenues collected over (under) expenditures paid	<u>(14,670)</u>	<u>15,098</u>	<u>58,580</u>	<u>59,008</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	(14,670)	15,098	58,580	59,008
Cash fund balances, beginning of year	<u>227,001</u>	<u>111,059</u>	<u>176,895</u>	<u>514,955</u>
Cash fund balances, end of year	<u>\$ 212,331</u>	<u>\$ 126,157</u>	<u>\$ 235,475</u>	<u>\$ 573,963</u>

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues Collected, Expenditures Paid and  
Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis  
Building and Child Nutrition Funds  
For the Year Ended June 30, 2022

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning cash fund balances - Budgetary basis	\$ 227,001	\$ 227,001	\$ 227,001	\$ 111,059	\$ 111,059	\$ 111,059	\$ 338,060	\$ 338,060	\$338,060
Revenues collected:									
Local sources	52,927	52,927	65,972	25,001	25,001	35,430	77,928	77,928	101,402
State sources	-	-	34,117	38,654	38,654	40,397	38,654	38,654	74,514
Federal sources	-	-	-	329,000	329,000	325,489	329,000	329,000	325,489
Total Revenues Collected	<u>52,927</u>	<u>52,927</u>	<u>100,089</u>	<u>392,655</u>	<u>392,655</u>	<u>401,316</u>	<u>445,582</u>	<u>445,582</u>	<u>501,405</u>
Expenditures paid:									
Non-Instructional Services	-	-	-	503,714	503,714	386,218	503,714	503,714	386,218
Capital outlay	199,928	199,928	67,680	-	-	-	199,928	199,928	67,680
Other outlays	80,000.00	80,000.00	47,079	-	-	-	80,000	80,000	47,079
Total expenditures paid	<u>279,928</u>	<u>279,928</u>	<u>114,759</u>	<u>503,714</u>	<u>503,714</u>	<u>386,218</u>	<u>783,642</u>	<u>783,642</u>	<u>500,977</u>
Excess of revenues collected over (under) expenditures paid	<u>(227,001)</u>	<u>(227,001)</u>	<u>(14,670)</u>	<u>(111,059)</u>	<u>(111,059)</u>	<u>15,098</u>	<u>(338,060)</u>	<u>(338,060)</u>	<u>428</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$338,488</u>



Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Combining Statement of Changes in Cash Balances – Regulatory Basis  
Activity Funds  
For the Year Ended June 30, 2022

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
Annual	\$ 6,001	\$ -	\$ -	\$ 6,001
Athletics	5,692	-	1,267	4,426
Booster Club	52,498	6,926	13,550	45,874
Extended Care	2,237	-	206	2,031
Interest	617	72	130	559
Petty Cash	-	545	545	-
Beverage / Eight Grade	3,734	6,406	5,333	4,806
Junior Beta Club	1,710	2,096	1,395	2,410
	\$ 72,488	\$ 16,045	\$ 22,426	\$ 66,107

Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2021	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2022
<b>U.S. Department of Education</b>						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 27,295	\$ 27,295	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	28,424	28,424	-
Subtotal Direct Grants			<u>-</u>	<u>55,719</u>	<u>55,719</u>	<u>-</u>
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	149,120	149,120	-
Title II Part A - REAP	84.367	586	-	4,745	4,745	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I/CARES ACT)	84.425D	788	(23,476)	23,476	-	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II/CARES ACT)	84.425D	793	(153,854)	390,735	236,881	-
COVID-19 American Rescue Plan (ARP) Elementary and secondary School Emergency Relief Fund (ESSER III)	84.425U	795	-	192,762	326,646	(133,884)
Subtotal ESF-ESSER funds			<u>(177,330)</u>	<u>606,973</u>	<u>563,527</u>	<u>(133,884)</u>
Subtotal Passed through State Department of Education			<u>(177,330)</u>	<u>760,838</u>	<u>717,392</u>	<u>(133,884)</u>
<b>Total U.S. Department of Education</b>			<b><u>\$ (177,330)</u></b>	<b><u>\$ 816,557</u></b>	<b><u>\$ 773,111</u></b>	<b><u>\$ (133,884)</u></b>
<b>U.S. Department of Agriculture:</b>						
<i>Passed Through State Department of Education:</i>						
P-EBT Program	10.649	760	\$ -	\$ 614	\$ 614	\$ -
<i>Child Nutrition Cluster:</i>						
<i>Cash Assistance</i>						
National School Lunch Program	10.555	763	\$ -	\$ 210,357	\$ 194,934	\$ 15,423
Commodity Credit Corporation (CCC) Supply Chain Assistance	10.555	759	-	10,837	10,837	-
School Breakfast Program	10.553	764	-	103,680	103,680	-
Cash Assistance Subtotal			<u>-</u>	<u>324,874</u>	<u>309,451</u>	<u>15,423</u>
<i>Passed Through State Department of Human Services:</i>						
<i>Non-Cash Assistance</i>						
National School Lunch Program (Commodities)	10.555		-	17,336	17,336	-
Non -Cash Assistance Subtotal			<u>-</u>	<u>17,336</u>	<u>17,336</u>	<u>-</u>
Child Nutrition Cluster			<u>-</u>	<u>342,210</u>	<u>326,787</u>	<u>15,423</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ -</u></b>	<b><u>\$ 342,824</u></b>	<b><u>\$ 327,401</u></b>	<b><u>\$ 15,423</u></b>
<b>U.S. Federal Communication Commission:</b>						
<i>Direct Grants:</i>						
COVID-19 Emergency Connectivity Fund	32.009		\$ -	\$ 29,400	\$ 29,400	-
<b>Total U.S. Federal Communication Commission</b>			<b><u>\$ -</u></b>	<b><u>\$ 29,400</u></b>	<b><u>\$ 29,400</u></b>	<b><u>\$ -</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ (177,330)</u></b>	<b><u>\$ 1,188,781</u></b>	<b><u>\$ 1,129,912</u></b>	<b><u>\$ (118,461)</u></b>

Zaneis School District No. C072  
Carter County, Oklahoma  
Supplemental Schedule  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

**Note 1: Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Zaneis School District No. C072, Carter County, Oklahoma under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Zaneis School District No. C072, Carter County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Zaneis School District No. C072, Carter County, Oklahoma.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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

**Note 4: Subrecipients**

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements of Zaneis School District No. CO72, Carter County Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Zaneis School District No. CO72, Carter County Oklahoma's regulatory financial statements and have issued our report thereon dated March 20, 2023 Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Zaneis School District No. CO72 Carter County, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control.

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Zaneis School District No. CO72, Carter County Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in accompanying schedule of findings and questioned costs as item 2022-002.

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

Governmental Auditing Standards requires the auditor to perform limited procedures on the Zaneis School District No. CO72, Carter County Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Zaneis School District No. CO72, Carter County Oklahoma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Norman, Oklahoma  
March 20, 2023

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Zaneis School District No. CO72, Carter County, Oklahoma's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Zaneis School District No. CO72, Carter County, Oklahoma's major federal programs for the year ended June 30, 2022. Zaneis School District No. CO72, Carter County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Zaneis School District No. CO72, Carter County, Oklahoma, complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Zaneis School District No. CO72's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Zaneis School District No. CO72's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Zaneis School District No. CO72's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



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

*Mary E Johnson & Associates PLLC*

Norman, Oklahoma

March 20, 2023

Zaneis School District No. CO72  
 Carter County, Oklahoma  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

***Section I – Summary of Auditor’s Results***

**Financial Statements:**

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

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_  Yes \_\_\_\_\_ No  
 Significant Deficiency(ies)  
 identified that are not considered to  
 be material weaknesses? \_\_\_\_\_  Yes \_\_\_\_\_ None Report

Noncompliance material to financial statement \_\_\_\_\_  Yes \_\_\_\_\_ No

**Federal Awards:**

Internal control over major program:  
 Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No  
 Significant Deficiency(ies)  
 identified that are not considered to  
 be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_  None Report

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

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

Identification of Major Programs:

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

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

Auditee qualified as a low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_  No

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**Section II – Financial Statement Findings**

**2022-001 Financial Reporting**

*Condition:* The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

*Criteria:* The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

*Cause:* The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

*Effect:* Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

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

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**2022-002 Coding of Revenues and Expenditures**

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

*Criteria:* Oklahoma Administrative Code (OAC) 210:25-5-4a The financial structure of an Oklahoma public school district consists of various classifications as referenced in Oklahoma Administrative Code (OAC) 210:25-7-1, (Oklahoma Cost Accounting System [OCAS]). School District accounting systems shall be organized and operated on a basis that assures legal compliance by the recording and summarizing of financial transactions within funds, each of which is completely independent of any other. Each fund shall account for and continually maintain the identity of its revenues and expenditures.

*Cause:* The funds were received from a direct grant and were not identified in the OCAS manual as a federal revenue. This resulted in funds not being included on the Schedule of Expenditures of Federal Awards (SEFA) preparation. Nor were the funds included as federal expenditures in data submitted to State Department of Education.

*Effect:* Incorrect reporting of revenues and expenditures submitted to the State Department of Education.

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

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District will review new grant documents and verify if there is an assistance number related to a federal program and then make sure to properly code the revenues and expenditures in accordance with OCAS.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

***Section III – Federal Award Finding and Questioned Costs***

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

*Condition:* Direct federal funding received was not properly included on the SEFA.

*Criteria:* CFR 200.510b Schedule of expenditures of federal awards. The auditee must prepare a schedule of expenditures of Federal Awards for the period covered by the auditee’s financial statements which must include the Total Federal Awards expended as determined in accordance with §200.502 basis for determining Federal Awards expended.

*Cause:* The funds were received from a direct grant and were not identified in the OCAS manual as a federal revenue. This resulted in funds not being included on the Schedule of Expenditures of Federal Awards (SEFA) preparation. Nor were the funds included as federal expenditures in data submitted to State Department of Education.

*Effect:* Understatement of federal expenditures on Schedule of Expenditures of Federal Awards.

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

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District will review new grant documents and verify if there is an assistance number related to a federal program and then make sure to properly code the revenues and expenditures in accordance with OCAS.

ZANEIS DEPENDENT SCHOOL DISTRICT

Carter County, Oklahoma

Summary of Prior Year Findings

For the Year Ended June 30, 2022

**2021-001 Financial Reporting**

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

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

*Current Status:* Condition still exist, see current year finding 2022-001

**2021-002 Classification of exempt and non-exempt employees**

*Condition:* The District is not properly classifying employees as exempt vs non-exempt.

*Recommendation:* We recommend the District properly classify employees according to FLSA regulations. We also recommend the District develop an implement new policies and procedures that are consistent with FLSA.

*Current Status:* Condition has been resolved

**2021-003 Coding of Revenue and Expenditures**

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

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

*Current Status:* Condition still exist, see current year finding 2022-002

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Summary of Prior Year Findings  
For the Year Ended June 30, 2022

**2021-004 Preparation of Schedule of Expenditures of Federal Awards (SEFA)**

*Condition:* Federal award was no properly coded as federal in the Oklahoma Cost Accounting System (OCAS).

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

*Current Status:* Condition still exist, see current year finding 2022-003

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)  
For the Year Ended June 30, 2022

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2021 to July 1, 2022.

The superintendent is bonded by the Western Surety Company, bond number 61372523, for the penal sum of \$100,000 for the term of July 1, 2021 to July 1, 2022.

The lunch fund and activity fund custodian is bonded by Western Surety Company, bond number 70129280, for the penal sum of \$1,000 for the term July 1, 2021 to July 1, 2022.

The lunch fund and activity fund custodian is bonded by Western Surety Company, bond number 63681720, for the penal sum of \$1,000 for the term July 1, 2021 to July 1, 2022.

The encumbrance and minutes clerk is bonded by Western Surety Company, bond number 69377777, for the penal sum of \$1,000 for the term August 5, 2021 to August 5, 2022.



ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance (unaudited)  
For the Year Ended June 30, 2022

State of Oklahoma )

County of Carter )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Zaneis School District No. CO72 for the audit year 2021-2022.

MARY E. JOHNSON & ASSOCIATES, PLLC

*Mary E. Johnson*

BY: \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me on this 20<sup>th</sup> day of March, 2023.

*Jillian Luker*  
\_\_\_\_\_  
Notary Public

Commission Number: 17008742

My commission expires on: 9/20/25

