

**Zaneis School District No. CO72**  
**Carter County, Oklahoma**  
Financial Statements  
Year-End June 30, 2021

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

**School District Officials  
July 01, 2020 to June 30, 2021**

***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

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**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 Financial Statements**

We have audited 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, 2021, and the related notes to the financial statements which collectively comprise the District's regulatory financial statements as listed in the table of contents.

### **Management's Responsibility of the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1. 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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As discussed in Note 1, the financial statements are prepared by Zaneis School District No. CO72, Carter County, Oklahoma, 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 comply with 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.

### **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” paragraph, the financial statement 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 Zaneis School District No. CO72, Carter County, Oklahoma as of June 30, 2021, the changes in its financial position for the year then ended.

### **Basis for Qualified Opinion on General Fixed Asset Account Group**

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 is not known.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fixed Asset Account Group” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Zaneis School District No. CO72, Carter County, Oklahoma, as of June 30, 2021, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Zaneis School District No. CO72, Carter County, Oklahoma financial statements as a whole. The accompanying Combining Schedules of Special Revenue Fund

Financial Statements – Regulatory Basis, Combining Schedule of Changes in Cash Balances – Regulatory Basis – Activity Funds are presented for purposes of additional analysis and is not required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Combining Schedules of Special Revenue Fund Financial Statements – Regulatory Basis, Combining Statement of Changes in Cash Balances – Regulatory Basis – Activity Funds, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statement of statutory fidelity and honesty bonds and schedule of accountant’s professional liability insurance have not been subjected to the auditing procedures applied in the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022 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.



Ardmore, Oklahoma  
March 30, 2022

Zaneis School District No. CO72  
Carter County, Oklahoma  
Combined Statement of Assets, Liabilities and Fund Equity  
Regulatory Basis – All Governmental Fund Types and Account Groups  
June 30, 2021

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account</u>	Total (memorandum only - Note 1) June 30, 2021
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>Group</u> General Long Term Debt	
<u>ASSETS</u>					
Cash	\$ 1,006,296	\$ 519,547	\$ 72,488	\$ -	\$ 1,598,331
Amount to be provided for					
Capital leases	-	-	-	46,283	46,283
Total Assets	<u>\$ 1,006,296</u>	<u>\$ 519,547</u>	<u>\$ 72,488</u>	<u>\$ 46,283</u>	<u>\$ 1,644,614</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 261,873	\$ 4,592	\$ -	\$ -	\$ 266,465
Due to others	-	-	72,488	-	72,488
Capital leases payable	-	-	-	46,283	46,283
Total Liabilities	<u>261,873</u>	<u>4,592</u>	<u>72,488</u>	<u>46,283</u>	<u>385,236</u>
Fund Equity:					
Unreserved:					
Undesignated	744,423	514,955	-	-	1,259,378
Total Cash Fund Balances	<u>744,423</u>	<u>514,955</u>	<u>-</u>	<u>-</u>	<u>1,259,378</u>
Total Liabilities and Fund Equity	<u>\$ 1,006,296</u>	<u>\$ 519,547</u>	<u>\$ 72,488</u>	<u>\$ 46,283</u>	<u>\$ 1,644,614</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, 2021

	Governmental Fund Types		Total
	General	Special Revenue	(memorandum only - Note 1) June 30, 2021
Revenues collected:			
Local sources	\$ 386,082	\$ 79,575	\$ 465,657
Intermediate sources	89,153	-	89,153
State sources	1,452,942	110,861	1,563,803
Federal sources	333,547	365,566	699,113
Total Revenues Collected	<u>2,261,724</u>	<u>556,002</u>	<u>2,817,726</u>
Expenditures paid:			
Instruction	1,495,948	48,422	1,544,370
Support services	962,711	398	963,109
Non-Instructional services	587	393,362	393,949
Capital outlay	-	23,929	23,929
Total expenditures paid	<u>2,460,071</u>	<u>466,111</u>	<u>2,926,182</u>
Excess of revenues collected over (under) expenditures paid	(198,347)	89,891	(108,456)
Cash fund balances, beginning of year	<u>942,770</u>	<u>425,064</u>	<u>1,367,834</u>
Cash fund balances, end of year	<u>\$ 744,423</u>	<u>\$ 514,955</u>	<u>\$ 1,259,378</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, 2021

	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	\$ 942,770	\$ 942,770	\$ 942,770	\$ -	\$ 271,305	\$ 271,305	\$ 271,305	\$ -
Revenues collected:								
Local sources	433,700	433,700	386,082	(47,618)	160,897	160,897	79,575	(81,322)
Intermediate sources	63,000	63,000	89,153	26,153	-	-	-	-
State sources	1,688,065	1,688,065	1,452,942	(235,123)	33,500	33,500	38,904	5,404
Federal sources	195,000	195,000	333,547	138,547	250,000	250,000	365,566	115,566
Total Revenues Collected	<u>2,379,765</u>	<u>2,379,765</u>	<u>2,261,724</u>	<u>(118,041)</u>	<u>444,397</u>	<u>444,397</u>	<u>484,045</u>	<u>39,648</u>
Expenditures paid:								
Instruction	1,850,000	1,850,000	1,495,948	354,052	-	-	-	-
Support services	1,470,635	1,470,635	962,711	507,924	-	-	-	-
Non-Instructional services	1,000	1,000	587	413	453,473	453,473	393,362	60,111
Capital outlay	-	-	-	-	262,228	262,228	23,929	238,299
Other outlays	900.00	900.00	825	75	-	-	-	-
Total Expenditures paid	<u>3,322,535</u>	<u>3,322,535</u>	<u>2,460,071</u>	<u>862,464</u>	<u>715,701</u>	<u>715,701</u>	<u>417,291</u>	<u>298,410</u>
Excess of revenues collected over (under) expenditures paid	(942,770)	(942,770)	(198,347)	744,423	(271,304)	(271,304)	66,754	338,058
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,423</u>	<u>\$ 744,423</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 338,059</u>	<u>\$ 338,058</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:	\$ 338,059
Nonappropriated fund: County Sales Tax Fund Cash fund balance:	<u>176,896</u>
End cash fund balance per Statement of Revenues Collected, Expenditures Paid and changes in Fund balances - Special Revenues	<u>\$ 514,955</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, 2021

**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, 2021

**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, 2021

**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*

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2021

*State and Local Governments.* This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (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 \$11,951 passed through the State Department of Human Services and used in the Child Nutrition program. In addition, the State of Oklahoma paid approximately \$12,246 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, 2021

**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, 2021 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, 2021

**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 64% 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, 2021

**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, 2021, 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 capital lease. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	\$ 67,547	\$ -	\$ 21,264	\$ 46,283
	\$ 67,547	\$ -	\$ 21,264	\$ 46,283

***Capital Leases***

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.

Zaneis School District No. CO72  
 Carter County, Oklahoma  
 Notes to Combined Financial Statements  
 June 30, 2021

**3. General Long Term Debt (continued)**

The lease purchase agreement was in the amount of \$110,000 at an interest rate of 3.031% payable in five annual payments of \$23,929 starting May 31, 2019, with final payment on May 31, 2023 for a total amount to be paid of \$119,643.

Future Minimum lease payment on this lease is as follows:

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2022	22,560
2023	<u>23,723</u>
	46,283
Less: Interest	<u>(2,212)</u>
Total	<u>\$ 44,071</u>

**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, 2021, qualifying employee contributions were reduced by a retirement credit of \$12,246 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2021, the District had a statutory contribution rate of 9.5% plus 7.70% 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, 2021, the District contributions to the System were \$126,936.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2021

**4. Employee Retirement System (continued)**

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

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

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

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

Zaneis School District No. CO72  
Carter County, Oklahoma  
Notes to Combined Financial Statements  
June 30, 2021

**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 2021, the world-wide coronavirus pandemic 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.

**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, 2021, the district had the \$9,248 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 Equity – Regulatory Basis  
All Special Revenue Funds  
June 30, 2021

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>County Sales Tax Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 227,001	\$ 115,650	\$ 176,896	\$ 519,547
Total Assets	<u>\$ 227,001</u>	<u>\$ 115,650</u>	<u>\$ 176,896</u>	<u>\$ 519,547</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ -	\$ 4,592	\$ -	\$ 4,592
Total Liabilities	<u>-</u>	<u>4,592</u>	<u>-</u>	<u>4,592</u>
Fund Equity:				
Unreserved:				
Undesignated	<u>227,001</u>	<u>111,058</u>	<u>176,896</u>	<u>514,955</u>
Total Cash Fund Balances	<u>227,001</u>	<u>111,058</u>	<u>176,896</u>	<u>514,955</u>
 Total Liabilities and Fund Equity	 <u>\$ 227,001</u>	 <u>\$ 115,650</u>	 <u>\$ 176,896</u>	 <u>\$ 519,547</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, 2021

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>County Sales Tax Fund</u>	<u>Total</u>
Revenues collected:				
Local sources	\$ 51,597	\$ 27,978	\$ -	\$ 79,575
State Sources	-	38,904	71,957	110,861
Federal Sources	-	365,566	-	365,566
Total Revenues Collected	<u>51,597</u>	<u>432,448</u>	<u>71,957</u>	<u>556,002</u>
Expenditures paid:				
Instructional Services	-	-	48,422	48,422
Support Services	-	-	398	398
Non-Instructional Services	-	393,362	-	393,362
Capital outlay	23,929	-	-	23,929
Total expenditures paid	<u>23,929</u>	<u>393,362</u>	<u>48,820</u>	<u>417,689</u>
Excess of revenues collected over (under) expenditures paid	<u>27,668</u>	<u>39,086</u>	<u>23,137</u>	<u>89,891</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	27,668	39,086	23,137	89,891
Cash fund balances, beginning of year	<u>199,333</u>	<u>71,972</u>	<u>153,759</u>	<u>425,064</u>
Cash fund balances, end of year	<u>\$ 227,001</u>	<u>\$ 111,058</u>	<u>\$ 176,896</u>	<u>\$ 514,955</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, 2021

	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	\$ 199,333	\$ 199,333	\$ 199,333	\$ 71,972	\$ 71,972	\$ 71,972	\$ 271,305	\$ 271,305	\$271,305
Revenues collected:									
Local sources	62,896	62,896	51,597	98,001	98,001	27,978	160,897	160,897	79,575
State sources	-	-	-	33,500	33,500	38,904	33,500	33,500	38,904
Federal sources	-	-	-	250,000	250,000	365,566	250,000	250,000	365,566
Total Revenues Collected	<u>62,896</u>	<u>62,896</u>	<u>51,597</u>	<u>381,501</u>	<u>381,501</u>	<u>432,448</u>	<u>444,397</u>	<u>444,397</u>	<u>484,045</u>
Expenditures paid:									
Non-Instructional Services	-	-	-	453,473	453,473	393,362	453,473	453,473	393,362
Capital outlay	262,229	262,229	23,929	-	-	-	262,229	262,229	23,929
Other outlays	-	-	-	-	-	-	-	-	-
Total expenditures paid	<u>262,229</u>	<u>262,229</u>	<u>23,929</u>	<u>453,473</u>	<u>453,473</u>	<u>393,362</u>	<u>715,702</u>	<u>715,702</u>	<u>417,291</u>
Excess of revenues collected over (under) expenditures paid	<u>(199,333)</u>	<u>(199,333)</u>	<u>27,668</u>	<u>(71,972)</u>	<u>(71,972)</u>	<u>39,086</u>	<u>(271,305)</u>	<u>(271,305)</u>	<u>66,754</u>
Ending cash balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$338,059</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, 2021

	<u>BEGINNING</u> <u>BALANCE</u>	<u>RECEIPTS</u>	<u>CHECKS</u>	<u>ENDING</u> <u>BALANCE</u>
Annual	\$ 7,961	\$ 1,915	\$ 3,875	\$ 6,001
Athletics	6,742	1,000	2,050	5,692
Booster Club	55,630	5,844	8,976	52,498
Extended Care	2,364	-	127	2,237
Interest	682	75	141	617
Petty Cash	-	587	587	-
Beverage / Eight Grade	3,745	4,852	4,863	3,734
Junior Beta Club	1,140	1,250	680	1,710
	<u>\$ 78,263</u>	<u>\$ 15,523</u>	<u>\$ 21,299</u>	<u>\$ 72,488</u>



Zaneis School District No. CO72  
Carter County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2020	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2021
<b>U.S. Department of Education</b>						
<i>Direct Grants</i>						
Title VI Small Rural Achievement Program	84.358A	588	\$ -	\$ 22,752	\$ 22,752	\$ -
Indian Education Grants to Local Education Agencies	84.060	561	-	28,762	28,762	-
Subtotal Direct Grants			-	51,514	51,514	-
<i>Passed Through State Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	511	-	143,004	143,004	-
Title II Part A - REAP	84.367	586	-	6,441	6,441	-
COVID 19-Discretionary IDEA Part B	84.027	617	-	2,944	2,944	-
COVID-19-ESSERF/CARES ACT	84.425D	788	-	59,030	82,506	(23,476)
COVID-19 ESSER II/CARES ACT	84.425D	793	-	1,665	155,519	(153,854)
Subtotal ESSER funds			-	213,084	390,414	(177,330)
Subtotal Passed through State Department of Education			-	264,598	441,928	(177,330)
<b>Total U.S. Department of Education</b>			<b>\$ -</b>	<b>\$ 264,598</b>	<b>\$ 441,928</b>	<b>\$ (177,330)</b>
<b>U.S. Department of Agriculture:</b>						
<i>Passed Through State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 233,076	\$ 225,366	\$ 7,710
School Breakfast Program	10.553	764	-	132,491	99,483	33,008
Child Nutrition Cluster Cash Assistance			-	365,567	324,849	40,718
<i>Passed Through State Department of Human Services:</i>						
Non-Cash Assistance						
National School Lunch Program -- Commodities	10.555		-	11,951	11,951	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ -</b>	<b>\$ 377,518</b>	<b>\$ 336,800</b>	<b>\$ 40,718</b>
<b>U.S. Department of Treasury:</b>						
<i>Passed Through Chickasaw Nation:</i>						
COVID-19 Coronavirus Relief Fund	21.019	1410490	\$ -	\$ 68,950	\$ 68,950	-
<b>Total U.S. Department of Treasury</b>			<b>\$ -</b>	<b>\$ 68,950</b>	<b>\$ 68,950</b>	<b>\$ -</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 711,066</b>	<b>\$ 847,678</b>	<b>\$ (136,612)</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, 2021

**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, 2021. 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. 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, 2021, 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 30, 2022. 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.

**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) to determine the as a basis for designed audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Zaneis School District No. CO72 Carter County, Oklahoma's internal control.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003, to be material weaknesses.

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 2021-001 to be a significant deficiency.

### **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 items 2021-002 and 2021-003.

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

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 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.



Ardmore, Oklahoma

March 30, 2022

**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**

We have audited Zaneis School District No. CO72, Carter County, Oklahoma's compliance with the types of compliance requirements described 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, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Zaneis School District No. CO72, Carter County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Zaneis School District No. CO72, Carter County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Zaneis School District No. CO72, Carter County, Oklahoma's compliance.

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

In our opinion, Zaneis School District No. CO72, Carter County, Oklahoma, complied, in all material respects, with the types of 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, 2021.

### ***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 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

Zaneis School District No. CO72, Carter County, Oklahoma's response to the noncompliance finding 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 auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of Zaneis School District No. CO72, Carter County, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Zaneis School District No. CO72, Carter County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Zaneis School District No. CO72, Carter County, Oklahoma's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal

control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-004, that we consider to be a material weakness.

Zaneis School District No. CO72, Carter County, Oklahoma's response to the internal control over compliance finding 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 auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mary C Johnson & Associates PLLC*

Ardmore, Oklahoma  
March 30, 2022

Zaneis School District No. CO72  
 Carter County, Oklahoma  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021

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

**Financial Statements:**

Type of audit report:	Qualified Opinion Regulatory Basis
Internal control over financial reporting:	
Material weakness(es) identified?	<u>  X  </u> Yes <u>      </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u>  X  </u> Yes <u>      </u> None Report
Noncompliance material to financial statement	<u>  X  </u> Yes <u>      </u> No

**Federal Awards:**

Internal control over major program:	
Material weakness(es) identified?	<u>      </u> Yes <u>  X  </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u> Yes <u>  X  </u> None Reported

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

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

Identification of Major Programs:

<i>CFDA Number</i>	<i>Name of federal Program or Cluster</i>
84.010	Title I, Grants to Local Education Agencies
84.425D	COVID-19 Education Stabilization Funds- Elementary and Secondary School Emergency Relief (ESSER I (CARES) & ESSER II) Fund

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

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



Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

***Section II – Financial Statement Findings***

**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. 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, 2021

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

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

*Criteria:* The Fair Labor Standards Act (FLSA) requires that most employees be paid at least the federal minimum wage for all hours worked and overtime for all hours worked over 40 hours in a work week. Section 13(a)(1) of the FLSA provides an exemption from both Minimum wage and overtime pay for employees who meet the FLSA definition of an exempt employee.

*Cause:* The District does not have a well-defined set of policies and procedures within payroll to correctly identify exempt and non-employees.

*Effect:* Employees are not correctly identified as exempt vs. non-exempt, and overtime is not monitored or properly compensated.

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

*Views of Responsible Officials  
and Planned Corrective*

*Action:* The District will implement procedures to evaluate the non-exempt employees working more than one job for District and adjust their schedule or compensate them accordingly to the weighted overtime rate.

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

*Condition:* Federal 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.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

*Cause:* The funds were from a new pass-thru entity and were not identified in the OCAS manual of revenue source code or expenditure project code. Thus, the funds were not coded as federal. This resulted in not being included on the Schedule of Expenditures of Federal Awards (SEFA) preparation. Nor were the funds identified 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 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.

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

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

*Condition:* Federal award was not properly coded as federal in the Oklahoma Cost Accounting System (OCAS).

*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 from a new pass thru entity and were not identified in the OCAS manual of revenue source code or expenditure project code. Thus, was not coded as federal. This resulted in not being included on the Schedule of Expenditures of Federal Awards (SEFA) preparation. Nor were the funds identified as federal expenditures in data submitted to State Department of Education.

Zaneis School District No. CO72  
Carter County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

*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, 2021

**2020-001 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 2021-001

**2020-002 Identification and classification of employees vs. contractors**

*Condition:* Payment are being classified as independent contractor payments through accounts payable for services that do not meet the requirements of the Internal Revenue Service (IRS).

*Recommendation:* We recommend that workers that do not meet the IRS guidelines as independent contractors be classified as employees. In addition, We recommend that all workers classified as independent contractor be reviewed for compliance with IRS guidelines.

*Current Status:* Condition has been resolved

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)  
For the Year Ended June 30, 2021

The treasurer is bonded by Western Surety Company, bond number 18230940, for the penal sum of \$100,000 for the term July 1, 2020 to July 1, 2021.

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, 2020 to July 1, 2021.

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, 2020 to July 1, 2021.

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, 2020 to July 1, 2021.

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, 2020 to August 5, 2021.

ZANEIS DEPENDENT SCHOOL DISTRICT  
Carter County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance (unaudited)  
For the Year Ended June 30, 2021

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 2020-2021.

MARY E. JOHNSON & ASSOCIATES, PLLC

*Mary E. Johnson*  
BY: \_\_\_\_\_  
Authorized Agent

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

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

Commission Number: 17008742

My commission expires on: 9/20/25

