AUDITED FINANCIAL STATEMENTS - REGULATORY BASIS AND REPORTS OF INDEPENDENT AUDITOR

BETHEL SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY, OKLAHOMA

JUNE 30, 2021

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT SCHOOL DISTRICT NO. I-3
POTTAWATOMIE COUNTY, OKLAHOMA
JUNE 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. I-3
POTTAWATOMIE COUNTY, OKLAHOMA
JUNE 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. I-3
POTTAWATOMIE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

BOARD OF EDUCATION

President	David Elmore
Vice-President	Kevin Roland
Clerk	Susan Watson
Member	Brandon Bussell
Member	Vacant

SUPERINTENDENT OF SCHOOLS

Dr. Matt Posey

MINUTES CLERK

Denise Flowers

SCHOOL DISTRICT TREASURER

Alyssa Burnett

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Bethel School District No. I-003
Shawnee, Oklahoma 74801-8711

Report on the Financial Statements
We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Bethel School District No. I-003, Shawnee, Oklahoma (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1, the financial statements are prepared by the Bethel School District No. I-003, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although reasonably determined, are presumed to be material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because the significance of the matter discussed in the previous paragraph, the basic financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bethel School District No. I-003, Pottawatomie County, Oklahoma as of June 30, 2021, or the revenues, expenses, and changes in net position and, where applicable, its cash flows for the year then ended.

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

Qualified Opinion on Regulatory Basis of Accounting
In our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2021, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund statements, regulatory basis, listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 8, 2022

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2021

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	TOTALS (MEMO. ONLY)
Cash	$ 1,861,724	276,901	337,955	1,299,602	242,546		4,018,728
Investments					10,420		10,420
Amounts to be provided for retirement of general long-term debt						18,975,211	18,975,211
Total Assets	1,861,724	276,901	337,955	1,299,602	252,966	18,975,211	23,004,359
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	1,040,201	4,620					1,044,821
Encumbrances	48,704	131,800		33,200			213,704
Funds held for school organizations					252,966		252,966
Unmatured obligations			355,682				355,682
Long-term debt:							
Bonds payable						2,185,000	2,185,000
Capital leases						16,790,211	16,790,211
Total liabilities	1,088,905	136,420	355,682	33,200	252,966	18,975,211	20,842,384
Fund balances							
Restricted for:							
Capital projects				1,266,402			1,266,402
Debt service			(17,727)				(17,727)
Building		140,651					140,651
Co-op		(170)					(170)
Unassigned	772,819						772,819
Total fund balances	772,819	140,481	(17,727)	1,266,402	-		2,161,975
Total liabilities and fund balances	$ 1,861,724	276,901	337,955	1,299,602	252,966	18,975,211	23,004,359

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2021

	GOVERNMENTAL FUND TYPES				
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMO. ONLY)
Revenues					
Local sources	$ 1,083,437	272,433	857,046		2,212,916
Intermediate sources	209,562				209,562
State sources	6,320,847	12,890	18		6,333,755
Federal sources	1,703,273				1,703,273
Non-revenue receipts	7,662	5,365	1,068		14,095
Total revenues	9,324,781	290,688	858,132		10,473,601
Expenditures					
Instruction	6,163,134	26,483			6,189,617
Support services	2,654,087	443,038		19,950	3,117,075
Operation of non-instructional services	514,299	3,540			517,839
Facilities, acquisition and const. services	7,350	19,125		191,741	218,216
Other outlays	6,233				6,233
Debt service			913,427		913,427
Total expenditures	9,345,103	492,186	913,427	211,691	10,962,407
Revenues over (under) expenditures	(20,322)	(201,498)	(55,295)	(211,691)	(488,806)
Other financing sources (uses)					
Lapsed appropriations	72,284	1,652			73,936
Estopped warrants	268				268
Bond proceeds				1,470,000	1,470,000
Total other financing sources (uses)	72,552	1,652		1,470,000	1,544,204
Revenue and other sources over (under) expenditures and other uses	52,230	(199,846)	(55,295)	1,258,309	1,055,398
Cash fund balance, beginning of year	720,589	340,327	37,568	8,093	1,106,577
Cash fund balance, end of year	$ 772,819	140,481	(17,727)	1,266,402	2,161,975

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2021

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 1,142,985	1,142,985	1,083,437
Intermediate sources	175,976	175,976	209,562
State sources	6,341,587	6,341,587	6,320,847
Federal sources	1,206,558	1,206,558	1,703,273
Non-revenue receipts			7,662
Total revenues	8,867,106	8,867,106	9,324,781
Expenditures			
Instruction	6,342,791	6,342,791	6,163,134
Support services	2,670,460	2,670,460	2,654,087
Operation of non-instructional services	557,344	557,344	514,299
Facilities, acquisition and const. services	10,850	10,850	7,350
Other outlays	6,250	6,250	6,233
Total expenditures	9,587,695	9,587,695	9,345,103
Revenues over (under) expenditures	(720,589)	(720,589)	(20,322)
Other financing sources (uses)			
Lapsed appropriations			72,284
Estopped warrants			268
Total other financing sources (uses)			72,552
Revenue and other sources over (under) expenditures and other uses	(720,589)	(720,589)	52,230
Cash fund balance, beginning of year	720,589	720,589	720,589
Cash fund balance, end of year	$ -	-	772,819

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2021

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 165,754	165,754	272,433
State sources	14,000	14,000	12,890
Non-revenue receipts			5,365
Total revenues	179,754	179,754	290,688
Expenditures			
Instruction	27,586	27,586	26,483
Support services	469,830	469,830	443,038
Operation of non-instructional services	3,540	3,540	3,540
Facilities acquisitions and construction	19,125	19,125	19,125
Total expenditures	520,081	520,081	492,186
Revenues over (under) expenditures	(340,327)	(340,327)	(201,498)
Other financing sources (uses)			
Lapsed appropriations			1,652
Revenue and other sources over (under) expenditures and other uses	(340,327)	(340,327)	(199,846)
Cash fund balance, beginning of year	340,327	340,327	340,327
Cash fund balance, end of year	$ -	-	140,481

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2021

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	$ 875,859	875,859	857,046
State sources			18
Non-revenue receipts			1,068
Total revenues	875,859	875,859	858,132
Expenditures			
Other outlays			
Debt service	913,427	913,427	913,427
Revenues over (under) expenditures	(37,568)	(37,568)	(55,295)
Cash fund balance, beginning of year	37,568	37,568	37,568
Cash fund balance, end of year	$ -	-	(17,727)

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

NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

The basic financial statements of the Bethel Public Schools Independent District No. I-3 (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. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility 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. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

1. **Summary of Significant Accounting Policies-** contd.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

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

1. **Summary of Significant Accounting Policies-** contd.

B. Fund Accounting - contd.

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

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The District did not maintain this fund during the 2020-21 fiscal year.

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

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

1. **Summary of Significant Accounting Policies**- contd.

B. Fund Accounting - contd.

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds in the 2020-21 fiscal year.

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

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

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

Account Group

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 fixed assets.

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. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

1. **Summary of Significant Accounting Policies**- contd.

B. *Fund Accounting* - contd.

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

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund 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 Generally Accepted Accounting Principles.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- 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.

1. **Summary of Significant Accounting Policies-** contd.

C. Basis of Accounting and Presentation – contd.

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

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

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 Balances

Cash - Cash consists of cash on hand, demand deposit accounts, and interest-bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Balances – contd.

Inventories - The value of consumable inventories at June 30, 2021 is not material to the combined financial statements-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

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

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

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

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

Fund Balance – Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

1. **Summary of Significant Accounting Policies**- contd.

E. Assets, Liabilities and Fund Balances – contd.

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

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

- **Restricted** fund balance represents amounts that are constrained either externally by creditors, grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.
- **Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The School Board is the highest level of decision-making authority of the School District.
- **Assigned** fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund* that are neither restricted nor committed and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.
- **Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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

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

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

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures- contd.

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 categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

All of the federal revenues received by the District are apportioned to the general fund.

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

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

1. **Summary of Significant Accounting Policies**- contd.

F. Revenue and Expenditures - contd.

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

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

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

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third-party administrator.

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

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating transfers made during the 2020-21 fiscal year.

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2021, the District held deposits of approximately $4,029,148 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

2. **Deposits and Investments** – cont'd

The investments held at June 30, 2021 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market		$ -	-
Municipal tax-supported money judgments		-	-
Certificate of Deposit		10,420	10,420
Total Investments		$ 10,420	10,420

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs ($10,420).

3. **General Long-term Debt**

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

General long-term debt of the District consists of two (2) bonds payable and four (4) capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

The District has entered into lease agreements as lessee for financing the acquisition of HVAC equipment, equipment and personal property, and LED lighting. The lease agreements qualify as capital leases for accounting purposes, since titles transfer at the end of the lease terms. The leases contain a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The properties and equipment are collateral for the leases.

3. **General Long-term Debt** – contd

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

	Bonds Payable	Capital Leases	Total
Balance, July 1, 2020	$ 1,760,000	93,320	1,853,320
Additions	2,185,000	16,744,764	18,929,764
Retirements	1,760,000	47,873	1,807,873
Balance, June 30, 2021	$ 2,185,000	16,790,211	18,975,211

A brief description of the outstanding long-term debt at June 30, 2021 is set forth below:

	Amount outstanding
General Obligation Bonds	
Building Bonds, Series 2020, original issue $1,470,000 interest rate of 0.50%, one installment of $1,470,000 due 11-1-22;	$ 1,470,000
Trans Bonds, Series 2021, original issue $715,000 interest rate of 1.50%, two installments of $355,000 due 2-1-22 and $360,000 due 2-1-23;	715,000
Capital Leases	
Lease agreement for LED lighting & misc equipment, totaling $153,362, payable in annual installments beginning 12-25-18, final payment due 12-25-22;	60,545
Lease agreement for construction, totaling $16,666,974 payable in various annual installments beginning 9-1-22, final payment due 9-1-36;	16,666,974
Lease agreement for misc equipment, totaling $150,000 payable in annual installments of $16,265 beginning 11-20-15, final payment due 11-20-24;	62,692
Total	$ 18,975,211

3. **General Long-term Debt** – contd

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

Year Ending June 30	Principal	Interest	Total
2022	$ 355,000	18,075	373,075
2023	890,000	12,750	902,750
2024	940,000	4,700	944,700
Totals	$ 2,185,000	35,525	2,220,525

There was $36,988 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for the retirement of lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 45,252	2,337	47,589
2023	971,240	1,417	972,657
2024	965,598	477	966,075
2025	990,578	240	990,818
2026	999,296	-	999,296
2027-2031	5,382,460	-	5,382,460
2032-2036	6,114,839	-	6,114,839
2037-2041	1,320,948	-	1,320,948
Totals	$ 16,790,211	4,471	16,794,682

4. **Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required

4. **Employee Retirement System** – contd.

supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

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

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

4. **Employee Retirement System** – contd.

Annual Pension Cost
The District's portion of the total contributions for 2021, 2020 and 2019 were $564,495, $557,893 and $540,085 respectively.

5. **Contingencies**

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

6. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. **Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

OTHER SUPPLEMENTARY INFORMATION – REGULATORY BASIS - COMBINING FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2021

ASSETS	BUILDING FUND	CO-OP FUND	TOTALS (MEMO. ONLY)
Cash	$ 272,451	4,450	276,901
Total assets	272,451	4,450	276,901
LIABILITIES AND FUND BALANCES			
Liabilities			
Warrants payable		4,620	4,620
Encumbrances	131,800		131,800
Total liabilities	131,800	4,620	136,420
Fund balances			
Restricted	140,651	(170)	140,481
Total liabilities and fund balances	$ 272,451	4,450	276,901

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2021

	BUILDING FUND	CO-OP FUND	TOTALS (MEMO. ONLY)
Revenues			
Local sources	$ 257,458	14,975	272,433
State sources	3	12,887	12,890
Non-revenue receipts		5,365	5,365
Total revenues	257,461	33,227	290,688
Expenditures			
Instruction		26,483	26,483
Support services	436,122	6,916	443,038
Operation of non-instructional services	3,540		3,540
Facilities, acquisition and const. services	19,125		19,125
Total expenditures	458,787	33,399	492,186
Revenues over (under) expenditures	(201,326)	(172)	(201,498)
Other financing sources (uses)			
Lapsed appropriations	1,652		1,652
Revenue and other sources over (under) expenditures and other uses	(199,674)	(172)	(199,846)
Cash fund balance, beginning of year	340,325	2	340,327
Cash fund balance, end of year	$ 140,651	(170)	140,481

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2021

	BUILDING FUND			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	$ 145,254	145,254	257,458	20,500	20,500	14,975
State sources			3	14,000	14,000	12,887
Non-revenue receipts						5,365
Total revenues	145,254	145,254	257,461	34,500	34,500	33,227
Expenditures						
Instruction				27,586	27,586	26,483
Support services	462,914	462,914	436,122	6,916	6,916	6,916
Operation of non-instructional services	3,540	3,540	3,540			
Facilities, acquisition and const. services	19,125	19,125	19,125			
Total expenditures	485,579	485,579	458,787	34,502	34,502	33,399
Revenues over (under) expenditures	(340,325)	(340,325)	(201,326)	(2)	(2)	(172)
Other financing sources (uses)						
Lapsed appropriations			1,652			
Revenue and other sources over (under) expenditures and other uses	(340,325)	(340,325)	(199,674)	(2)	(2)	(172)
Cash fund balance, beginning of year	340,325	340,325	340,325	2	2	2
Cash fund balance, end of year	$ -	-	140,651	-	-	(170)

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2021

	32 BUILDING BOND FUND	34 BUILDING BOND FUND	35 BUILDING BOND FUND	TOTALS (MEMO. ONLY)
Revenues				
Local sources	$ -			-
Expenditures				
Support services	5,045	3,048	11,857	19,950
Facilities, acquisition & const. services			191,741	191,741
Total expenditures	5,045	3,048	203,598	211,691
Revenues over (under) expenditures	(5,045)	(3,048)	(203,598)	(211,691)
Other financing sources (uses)				
Bond sales proceeds			1,470,000	1,470,000
Revenue and other sources over (under) expenditures and other uses	(5,045)	(3,048)	1,266,402	1,258,309
Cash fund balance, beginning of year	5,045	3,048	-	8,093
Cash fund balance, end of year	$ -	-	1,266,402	1,266,402

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, 2020	Additions	Net Adjustments	Deletions	Balance June 30, 2021
Assets					
Cash	$ 216,155	458,699	30,727	463,035	242,546
Investments	10,420				10,420
Total Assets	$ 226,575	458,699	30,727	463,035	252,966
Liabilities					
Funds held for student organizations					
Agriculture	8,507	55,649	(236)	38,314	25,606
MS Science	65	-		-	65
Girls Basketball	2,505	4,536	63	4,502	2,602
Library	239	448		396	291
Vocal	12,482	2,473	127	7,677	7,405
Athletics	23,816	148,920	14,522	170,917	16,341
Miscellaneous	5,489	9,617	6,455	13,545	8,016
Elementary	14,666	23,874	1,382	19,398	20,524
HS Student Council	1,674	15,296	313	9,542	7,741
Yearbook/Newspaper	12,725	11,819	100	12,258	12,386
Middle School Acct	11,799	13,111	10,819	24,167	11,562
HS Cheerleaders	2,718	1,495	(313)	1,672	2,228
Colorguard / Flag Corp	12	-	(12)	-	-
Band	5,044	21,769	(224)	19,618	6,971
Art	1,337	18	256	1,196	415
National Honor Society	442	1,090		1,008	524
PROWL / SADD	889	852	59	995	805
Cross Country	2,368	6,103		3,383	5,088
MS Student Council	1,142	722		1,053	811
Elementary Library	4,728	365	41	815	4,319
Wrestling	1,676	-		1,386	290
Academic Team	155	-		-	155
James Yeisley Scholarship	4,001	1,250		1,000	4,251
Football	2,053	13,922	(120)	12,219	3,636
MS Special Education	1,733	45		210	1,568
Paul T. Carpenter Band Scholarship	10,689	-	14	-	10,703
Senior Class 2023	495	900		-	1,395
FCA	215	100		-	315
Parent Teacher Organization	3,518	1,659		1,089	4,088
General Fund Refund Subacct	-	7,129	(5,500)	-	1,629
High School Acct	28,765	26,325	9,057	27,589	36,558
Senior 2024	7,317	1,080	(7,292)	25	1,080
Softball	1,255	510		565	1,200
Baseball	199	28,580		26,227	2,552
Boys Basketball	1,389	15,808	68	13,873	3,392
Lower Elementary	16,538	22,899	103	19,852	19,688
Upper Elementary Vocal	4,363	11,222		9,591	5,994
Becky Selle Memorial Fund	$ 6,941	-	(205)	-	6,736

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, 2020	Additions	Net Adjustments	Deletions	Balance June 30, 2021
MS Gifted & Talented	$ 2,778	2,791		2,281	3,288
OBHRAI Scholarship	-	4,000		3,500	500
Golf	105	-		-	105
Track	4,518	109		302	4,325
Emanuel Bertsch Science Fund	676	-		-	676
Senior Class of 2021	9,796	1,746	(5,000)	5,995	547
Senior Class of 2022	1,867	467	6,250	6,740	1,844
Powerlifting	2,886	-		135	2,751
Total Liabilities	$ 226,575	458,699	30,727	463,035	252,966

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/1/2020	Revenue Collected	Total Expenditures	Ending Balance 6/30/2021
U.S. Department of Education							
Direct Programs:							
Title VI-Part A, Indian Education	84.060	561	$ 60,605		60,571	60,571	
Subtotal - Direct Programs			60,605	-	60,571	60,571	-
Passed Through State Department of Education:							
* Title I-Part A, Improving Basic Programs	84.010	511/785	177,914		175,050	175,050	
Title II-Part A, Teacher & Principal Training	84.367	541/785	26,540		26,540	26,540	
Title IV-SSAE Grant	84.424A	552/785	25,768		25,767	25,767	
Title V, Subpart 2-RLIS	84.358B	587/785	20,790		20,790	20,790	
* CARES Act Funding Cluster:							
CARES Act-ESSERF (Covid)	84.425D	788	144,386		144,342	144,342	
CARES Act-ESSERF 2019-20	84.425D	799		(7,842)	7,842		
CARES Act-GEER (Covid)	84.425D	789	200,000		193,418	199,587	(6,169)
CARES Act-ESSER II (Covid)	84.425D	793	569,718		222,228	222,228	
CARES Act-ESSER II (Covid)	84.425D	794	77,156		77,083	77,083	
Subtotal - CARES Act Programs (Cluster)			991,260	(7,842)	644,913	643,240	(6,169)
Special Education Cluster:							
IDEA-B Prof Dev-District	84.027	615	4,501		4,451	4,451	
IDEA-B Prof Dev-District 2019-20	84.027	799		(4,557)	4,557		
IDEA-B COVID Tech Assist	84.027	617	13,952		13,712	13,952	(240)
IDEA-B Flowthrough	84.027	621	242,547		233,029	233,029	
IDEA-B Preschool	84.173	641	5,311		5,311	5,311	
Subtotal - Special Education Program (Cluster)			266,311	(4,557)	261,060	256,743	(240)
Subtotal - Passed Through State Dept of Education			$ 1,508,583	(12,399)	1,154,120	1,148,130	(6,409)

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/1/2020	Revenue Collected	Total Expenditures	Ending Balance 6/30/2021
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Cluster:							
Cash Assistance:							
National School Lunch Program	10.555	763			368,018	333,858	34,160
School Breakfast Program	10.553	764			120,564	94,619	25,945
Cash Assistance Subtotal				-	488,582	428,477	60,105
Passed Through State Department of Human Services:							
Non-cash Assistance (Commodities)	10.555	N/A			49,937	49,937	
Subtotal - Child Nutrition Program (Cluster)				-	538,519	478,414	60,105
Total Federal Assistance			$ 1,569,188	(12,399)	1,753,210	1,687,115	53,696

* Major federal programs

Note 1 - Commodities received by the District in the amount of $49,937 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount. These commodities are reported at fair market value.

Note 2 - There were no amounts passed to subrecipients.

Note 3 - Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

Note 4 - 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). Expenditures are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements. These expenditures are recognized following the cost principles contained in the Uniform Guidance. The District has also elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2021

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Liberty Mutual Surety	Superintendent	601106110	$100,000	7/1/20-7/1/21
	Treasurer	601106110	$100,000	7/1/20-7/1/21
	Encumbrance Clerk	601106110	$50,000	7/1/20-7/1/21
	Activity Fund Custodian	601106110	$50,000	7/1/20-7/1/21
	Minutes Clerk	601106110	$1,000	7/1/20-7/1/21
	Payroll Clerk	601106110	$100,000	7/1/20-7/1/21
	Deputy Minutes Clerk	601106110	$1,000	7/1/20-7/1/21

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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
Bethel School District No. I-003
Shawnee, Oklahoma 74801-8711

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis as listed in the Table of Contents, of Bethel School District No. I-003, Shawnee, 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 basic financial statements, and have issued our report thereon dated February 8, 2022. This report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, there was one (1) immaterial observation included in a separate letter to management.

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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 8, 2022

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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
Bethel School District No. I-003
Shawnee, Oklahoma 74801-8711

Report on Compliance for Each Major Federal Program
We have audited the Bethel School District No. I-003, Shawnee, 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 its major federal programs for the year ended June 30, 2021. The District'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 the District'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* (The 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 the District'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 the District's compliance.

Opinion on Each Major Federal Program
In our opinion, Bethel School District No. I-003, Shawnee, 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.

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Report on Internal Control over Compliance

The management of the Bethel School District No. I-003, Shawnee, 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 the District'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 our 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 the 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 the District'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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 8, 2022

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2020 TO JUNE 30, 2021

Summary of Auditor's Results

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of the District were reported during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance"

5. An unqualified opinion report was issued on the compliance of major federal award programs.

6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Uniform Guidance.

7. Identification of Major Programs: Title I Part A (84.010) program and Elementary and Secondary Schools Emergency Relief Fund (84.425D)

8. The dollar threshold used to determine between Type A and Type B programs was $750,000.

9. The District did not qualify to be a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2020 TO JUNE 30, 2021

None.

INDEPENDENT SCHOOL DISTRICT NO. I-3, POTTAWATOMIE COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2020 TO JUNE 30, 2021

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm representative 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 Bethel School District for the audit year 2020-21.

Jenkins & Kemper, CPAs, P.C.
AUDITING FIRM

BY _____
AUTHORIZED AGENT

Subscribed and sworn to before me on this
9th day of, February, 2022

_____
NOTARY PUBLIC

CHELESEA CHADWICK
Notary Public in and for the
State of Oklahoma
Commission #15006700
My Commission expires 7/20/2023

JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

February 8, 2022

Bethel Public Schools
Attn: Dr. Matt Posey
36000 Clearpond Road
Shawnee, OK 74801-8711

Dear Dr. Posey:

Listed below are management recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will email a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains recommendations relayed to management that are immaterial observations which are not included in the audit report. These comments require a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

> During the audit, we observed the ESSER II program (793) reported $4,350 more in expenditures than were claimed and reimbursed by the program. It appeared these expenditures were initially coded to this program but were never submitted for reimbursement. In this case, the expenditures should have been re-coded to a local project code rather than a federal one. We recommend in the future the District perform a reconciliation of federal revenues to expenditures prior to the final submission of its OCAS data to ensure the proper reporting of federal expenditures to the Oklahoma State Department of Education.

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

Sincerely,

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

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