

LEXINGTON SCHOOL DISTRICT NO. I-057
CLEVELAND COUNTY, OKLAHOMA
JUNE 30, 2021

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LEXINGTON SCHOOL DISTRICT NO. I-057
CLEVELAND COUNTY, OKLAHOMA
JUNE 30, 2021

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Lexington School District No. I-057, Cleveland County, Oklahoma
School District Officials
June 30, 2021

BOARD OF EDUCATION

President

Vice President Clerk

Deputy Clerk Member

SUPERINTENDENT

OF SCHOOLS Chad
Hall

SCHOOL DISTRICT

TREASURER Ramona
Burchett
Annette Woods Joe
Torres
Tonya Adams Travis
Peery Vacant

ENCUMBRANCE
CLERK

Heidi Somers



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CHICKASHA, OKLAHOMA 73023
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Lexington School District No. I-057
Cleveland County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Lexington School District No. I-057, Cleveland 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 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 the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

1

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

As described in Note 1, the financial statements are prepared by Lexington School District No. I-057 Cleveland County, Oklahoma, 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 meet the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not 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 statements referred to in the above paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lexington School District No. I-057, Cleveland County, Oklahoma, as of June 30, 2021, or the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to in the first

paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of Lexington School District No. I-057, Cleveland County, Oklahoma as of June 30, 2021, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory 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 the Lexington School District No. I-057, Cleveland County, Oklahoma's basic financial statements. The combining statements—regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 basic financial statements.

2

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole 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 our report dated _____, on our consideration of the Lexington School District No. I-057, Cleveland County, Oklahoma'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 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 the Lexington School District No. I 057, Cleveland County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standard in considering Lexington School District No. I-057, Cleveland County, Oklahoma's internal control over financial reporting and compliance.

Chickasha, Oklahoma

Date-----

COMBINED FINANCIAL STATEMENTS

Lexington School District No. I-57, Cleveland County, Oklahoma
 Combined Statement of Assets, Liabilities and Fund Balances
 Regulatory Basis - All Fund Types and Account Groups
 June 30, 2021

Fiduciary Total
 Fund Account (Memorandum
 Governmental Fund Types Group Only)

Special Debt Capital Trust and General Long- June 30,
ASSETS General Revenue Service Projects Agency Term Debt 2021

Cash and Cash Equivalents \$ 2,188,219 \$ 494,417 \$ 43,991 \$ 279,447 \$ 172,474 \$ 0 \$ 3,178,548 Investments 0 0 0 0 0 0 Amounts
 Available in Debt Service Fund 0 0 0 0 43,991 43,991 Amounts to be Provided for Retirement
 of General Long-Term Debt 0 0 0 0 726,009 726,009 Amounts to be Provided For Capitalized
 Lease Agreements 0 0 0 0 76,707 76,707 Total Assets \$ 2,188,219 \$ 494,417 \$ 43,991 \$ 279,447 \$ 172,474 \$ 846,707 \$ 4,025,255

LIABILITIES AND FUND BALANCES

Liabilities:

Warrants Payable \$ 269,919 \$ 11,507 \$ 0 \$ 0 \$ 0 \$ 281,426 Reserve for Encumbrances 90,146 6,304 0 0 0 96,451 Due to Activity
 Groups 0 0 0 172,474 0 172,474 General Obligation Bonds Payable 0 0 0 0 770,000 770,000 Capitalized Lease Obligations Payable 0
 0 0 0 76,707 76,707

Total Liabilities \$ 360,066 \$ 17,811 \$ 0 \$ 0 \$ 172,474 \$ 846,707 \$ 1,397,058

Fund Balances:

Restricted For:

Debt Service \$ 0 \$ 0 \$ 43,991 \$ 0 \$ 0 \$ 43,991 Capital Projects 0 0 0 279,447 0 279,447 Building Programs 0 292,572 0 0 0
 292,572 Child Nutrition Programs 0 184,034 0 0 0 184,034 Cooperative Programs 0 0 0 0 0 0 Unassigned 1,828,154 (0) 0 0 0
 1,828,154

Total Fund Balances \$ 1,828,154 \$ 476,605 \$ 43,991 \$ 279,447 \$ 0 \$ 2,628,197 Total Liabilities and Fund Balances \$ 2,188,219 \$
 494,417 \$ 43,991 \$ 279,447 \$ 172,474 \$ 846,707 \$ 4,025,255

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

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Lexington School District No. I-57, Cleveland County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2021

Totals
(Memorandum
Governmental Fund Types Only)

Special Debt Capital June 30,
Revenue Collected: General Revenue Service Projects 2021 Local Sources \$ 929,977 \$ 128,637 \$ 801,240 \$ 19,070 \$ 1,878,924
Intermediate Sources 299,401 0 0 0 299,401 State Sources 5,388,259 38,044 0 0 5,426,304 Federal Sources 754,677 265,168 0 0
1,019,845 Non-Revenue Receipts 5,299 11,585 1,086 0 17,970
Total Revenue Collected \$ 7,377,614 \$ 443,433 \$ 802,326 \$ 19,070 \$ 8,642,443

Expenditures Paid:
Instruction \$ 4,546,431 \$ 0 \$ 0 \$ 490 \$ 4,546,921 Support Services 2,565,819 116,311 0 116,132 2,798,262 Operation of
Non-Instructional Services 3,595 287,094 0 0 290,689 Facilities Acquisition and Construction 0 2,964 0 0 2,964 Other Outlays 0 0 0
785,901 785,901 Other Uses 0 0 0 0 0 Repayments 0 0 0 0 0 Interest Paid on Warrants and Bank Charges 0 0 0 0 0 Debt Service:
Principal Retirement 0 0 1,395,000 0 1,395,000 Interest and Fiscal Agent Fees 0 0 77,660 0 77,660
Total Expenditures Paid \$ 7,115,845 \$ 406,369 \$ 1,472,660 \$ 902,523 \$ 9,897,396

Excess of Revenues Collected Over (Under)
Expenditures Paid Before Adjustments to
Prior Year Encumbrances \$ 261,769 \$ 37,065 \$ (670,334) \$ (883,454) \$ (1,254,954) Adjustments to Prior Year Encumbrances \$ 1,488 \$
0 \$ 0 \$ 0 \$ 0

Other Financing Sources (Uses):
Estopped Warrants \$ 685 \$ 0 \$ 0 \$ 0 \$ 685 Bond Proceeds 0 0 0 914,782 914,782 Transfers In 0 0 0 0 0 Transfers Out 0 0 0 0 0
Total Other Financing Sources (Uses) \$ 685 \$ 0 \$ 0 \$ 914,782 \$ 915,467

Excess (Deficiency) of Revenue Collected
Over Expenditures Paid and Other Financing
Sources (Uses) \$ 263,942 \$ 37,065 \$ (670,334) \$ 31,328 \$ (337,998) Fund Balance - Beginning of Year 1,564,211 439,541 714,325
248,119 2,966,196 Fund Balance - End of Year \$ 1,828,154 \$ 476,605 \$ 43,991 \$ 279,447 \$ 2,628,197

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

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Debt Service Fund
Local Sources \$ 816,915 \$ 816,915 \$ 929,977 \$ 116,142 \$ 116,142 \$ 128,637 \$ 758,335 \$ 758,335 \$ 801,240 Intermediate Sources 236,500
236,500 299,401 0 0 0 0 0 State Sources 5,330,903 5,330,903 5,388,259 28,500 28,500 38,044 0 0 Federal Sources 496,170 496,170
754,677 223,100 223,100 265,168 0 0 Non-Revenue Receipts 0 0 5,299 0 0 11,585 0 0 1,086 Total Revenue Collected \$ 6,880,488 \$
6,880,488 \$ 7,377,614 \$ 367,742 \$ 367,742 \$ 443,433 \$ 758,335 \$ 758,335 \$ 802,326 Instruction \$ 6,018,000 \$ 6,018,000 \$ 4,546,431 \$ 0 \$ 0 \$
0 \$ 0 \$ 0 \$ 0 Support Services 2,422,200 2,422,200 2,565,819 370,900 370,900 116,311 0 0 Operation of Non-Instructional Services 4,500
4,500 3,595 430,082 430,082 287,094 0 0 Facilities Acquisition and Construction 0 0 0 30,000 30,000 2,964 0 0 Other Outlays 0 0 0 0 0
1,472,660 1,472,660 1,472,660 Other Uses 0 0 0 0 0 0 Repayments 0 0 0 0 0 0 Interest Paid on Warrants and Bank Charges 0 0 0 0 0
0 0 0 0 Total Expenditures Paid \$ 8,444,700 \$ 8,444,700 \$ 7,115,845 \$ 839,982 \$ 839,982 \$ 406,369 \$ 1,472,660 \$ 1,472,660 \$ 1,472,660 Prior
Year Encumbrances \$ (1,564,211) \$ (1,564,211) \$ 261,769 \$ (472,241) \$ (472,241) \$ 37,065 \$ (714,325) \$ (714,325) \$ (670,334) Adjustments to
Prior Year Encumbrances \$ [REDACTED]

Transfers In [REDACTED]
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
Transfers Out [REDACTED]
For the Year Ended June 30, 2021
Total Other Financing Sources (Uses) \$ [REDACTED]
[REDACTED]

Sources (Uses) \$ [REDACTED]
Original Final Original Final Original Final
Revenue Collected: Budget Budget Actual Budget Budget Actual Budget Budget Actual Fund Balance - Beginning of Year 1,564,211 [REDACTED]
[REDACTED]
Fund Balance - End of Year \$ [REDACTED]
Expenditures Paid:
The notes to the financial statements are an integral part of this statement. [REDACTED]
Excess of Revenues Collected Over (Under)
Expenditures Paid Before Adjustments to

Other Financing Sources (Uses):

Excess (Deficiency) of Revenue Collected
Over Expenditures Paid and Other Financing

Lexington School District No. I-057, Cleveland County, Oklahoma Notes To Combined Financial Statements For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Lexington School District No. I-057, Cleveland 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.

1.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 the 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 District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.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.

Lexington School District No. I-057, Cleveland County, Oklahoma Notes To Combined Financial Statements For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies,

(continued) 1.B. Fund Accounting, (continued)

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).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund and Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the District and is expended on food, supplies and salaries to operate the lunchroom. The District also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

3. 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 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.

4. Capital Projects Fund - The Capital Projects Fund consists of the District's 2020 Combined Purpose Bond. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Lexington School District No. I-057, Cleveland County, Oklahoma Notes To Combined Financial Statements For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies,

(continued) 1.B. Fund Accounting, (continued)

1. Agency Funds - 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.

1. General Long-Term Debt Account Group - This account group is used 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 liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

The total column on the general-purpose 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.

1.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 34, Basic Financial Statements-Management's Discussion and Analysis-for 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.

Lexington School District No. I-057, Cleveland County,
Oklahoma Notes To Combined Financial Statements
For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies,

(continued) 1.C. Basis of Accounting and Presentation,

(continued)

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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.

1.E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

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 half of taxes are due prior to January 1. The second half is due prior to April 1.

Lexington School District No. I-057, Cleveland County,
Oklahoma Notes To Combined Financial Statements
For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies,

(continued) 1.E. Assets, Liabilities and Fund Equity,

(continued)

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

property.

Inventories – The value of consumable inventories at June 30, 2021, is not material to the basic financial statements.

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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

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

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 (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

(continued) 1.E. Assets, Liabilities and Fund Equity,

(continued)

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

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.

Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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.

Oklahoma Notes To Combined Financial Statements
For The Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies, (continued) 1.F. Revenue,
Expenses, and Expenditures, (continued)

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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

Demand Deposits \$ 3,186,488

educational program revenues be accounted for in the general fund.

Time Deposits 0 Total Deposits \$ 3,186,488

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.

Credit Rating Maturity Fair Value \$ 0

All other interfund transactions, except quasi-external transactions and reimbursements, are reported Total Investments \$ 0

as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Cash and Cash Equivalents \$ 3,178,548

Note 2 – Deposit and Investment Risk

Reconciling Items 0

Activity Fund Outstanding Checks 7,940

Total Deposits and Investments \$ 3,186,488

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District held the following deposits and investments at June 30, 2021: Carrying
Value

Deposits

Investments

**Lexington School District No. I-057, Cleveland County,
Oklahoma Notes To Combined Financial Statements
For The Year Ended June 30, 2021**

Note 2 – Deposit and Investment Risk, (continued)

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limit acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

The District did not have any custodian credit risk as of June 30, 2021, as defined above. The District did not have any investment credit risk as of June 30, 2021, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 Bonds Capital Lease Compensated increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined

above.

Balance July 1, 2020 \$ 1,395,000 \$ 195,035 \$ 0 \$ 1,590,035 Additions 770,000 0 0 770,000

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is

considered to Retirements -1,395,000 -118,328 0 -1,513,328 Balance, June 30, 2021 \$ 770,000

\$ 76,707 \$ 0 \$ 846,707

exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2021, the District had no concentration of credit risk as defined above.

Note 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 have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

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

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

Payable Obligations Absences Total

14

<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>	<u>Amount</u>
<u>Rate</u>	<u>Date</u>	<u>Issued</u>	<u>Outstanding</u>
2020 Combined Purpose Bond	1.25%	July 1, 2022	\$ 770,000 \$ 770,000
Totals	\$ 770,000	\$ 770,000	
<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021-2022	\$ 0	\$ 9,625	\$ 9,625
2022-2023	770,000	9,625	779,625
Total Bonds	\$ 770,000	\$ 19,250	\$ 789,250

Lexington School District No. I-057, Cleveland County, Oklahoma Notes To Combined Financial Statements For The Year Ended June 30, 2021

Note 3 - General Long-Term Debt (continued)

A brief description of the outstanding general obligation bond issues at June 30, 2021 is set forth below:

<u>Year Ending</u>	<u>LED</u>	<u>Lighting Copiers</u>	<u>Total</u>
2022	\$ 59,623	\$ 28,664	\$ 88,287

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

Total	\$ 59,623	\$ 28,664	\$ 88,287
Less: Amount Representing Interest	(10,944)	(636)	(11,580)
	Present Value of <u>Future Minimum Lease</u>		

Payments \$ 48,679 28,028 \$ 76,707 2020 Building Bond

Interest paid on general debt during the 2020-2021 year was \$77,600.

The District has entered into various lease agreements as lessee for financing the acquisition of copiers, LED lighting and buses. The lease agreements qualify as capital leases for

accounting purposes since title transfers at the end of the lease term and they have been recorded at the present value of the future minimum lease payments. The leases contain a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The Bus lease was paid off during the 2020-2021 year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General fixed assets account group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

Lexington School District No. I-057, Cleveland County,
Oklahoma Notes To Combined Financial Statements
For The Year Ended June 30, 2021

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% applicable compensation for the year ended June 30, 2021. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2021, 2020, and 2019 were \$444,921, \$447,340, and \$450,601, respectively.

The compensation for employees covered by the System for the year ended June 30, 2021 was \$4,504,205; the District's total compensation was \$5,442,542. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.70% of compensation arising from federal grants \$42,396. There were \$253,666 contributions made by employees during the year ended June 30, 2021.

Note 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.

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public official's liability. The District had the following insurance coverage during the year: Commercial property - \$37,944,579; general liability - \$1,000,000; and educator's liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 6 – Risk Management, (continued)

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability

for claim loss in limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The District has a Public-School System Faithful Performance Blanket Position Bond with RLI Insurance Company. This covers the positions of Activity Funds Clerk, Encumbrance Clerk, and Minute’s Clerk as well as various other positions. The bond number is RSB8007244 and it covers positions listed on the bond for the penal sum of \$5,000 for the term February 1, 2021 to February 1, 2022.

The Treasurer is bonded by RLI Insurance Company bond number LSM0139170 for the penal sum of \$250,000 for the term August 31, 2020 to August 31, 2021.

The Superintendent is bonded by RLI Insurance Company bond number LSM1180383 for the penal sum of \$100,000 for the period July 1, 2020 to July 1, 2021.

The Payroll Clerk is bonded by RLI Insurance Company bond #LSM0927502 for the penal sum of \$100,000 for the period September 6, 2020 to September 6, 2021.

Note 9 – 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 has determined that no additional information needs to be added to the financial statements.

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OTHER INFORMATION

Lexington School District No. I-57, Cleveland County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2021

Child Total
Building Nutrition June 30,

ASSETS Fund Fund 2021

Cash and Cash Equivalents \$ 298,876 \$ 195,541 \$ 494,417 Investments 0 0 0

Total Assets \$ 298,876 \$ 195,541 \$ 494,417

LIABILITIES AND FUND BALANCES

Liabilities:

Warrants Payable \$ 0 \$ 11,507 \$ 11,507 Reserve for Encumbrances 6,304 0 6,304

Total Liabilities \$ 6,304 \$ 11,507 \$ 17,811

Fund Balances:

Restricted \$ 292,572 \$ 184,034 \$ 476,605 Total Fund Balances \$ 292,572 \$ 184,034 \$ 476,605 Total

Liabilities and Fund Balances \$ 298,876 \$ 195,541 \$ 494,417

Exhibit A-1

Lexington School District No. 1-57, Cleveland County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2021

Child Total
Building Nutrition June 30,
Fund Fund 2021

Revenue Collected:

Local Sources \$ 128,045 \$ 592 \$ 128,637 Intermediate Sources 0 0 0 State Sources 0 38,044
38,044 Federal Sources 0 265,168 265,168 Non-Revenue Receipts 0 11,585 11,585

Total Revenue Collected \$ 128,045 \$ 315,388 \$ 443,433

Expenditures Paid:

Instruction \$ 0 \$ 0 \$ 0 Support Services 116,311 0 116,311 Operation of Non-Instructional Services
957 286,137 287,094 Facilities Acquisition and Construction 2,964 0 2,964 Other Outlays 0 0 0
Other Uses 0 0 0 Repayments 0 0 0 Interest Paid and Bank Charges 0 0 0

Total Expenditures Paid \$ 120,232 \$ 286,137 \$ 406,369

Excess of Revenues Collected Over (Under)
Expenditures Paid Before Adjustments to

Excess (Deficiency) of Revenue Collected
Over Expenditures Paid and Other Financing

Exhibit A-3

Lexington School District No. I-57, Cleveland County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis - Activity Fund
June 30, 2021

School
Activity

ASSETS Fund

Cash \$ 172,474 Investments 0

Total Assets \$ 172,474

LIABILITIES AND FUND EQUITY

Liabilities:

Due To Activity Groups \$ 172,474 Total Liabilities \$ 172,474

Fund Equity:

Unassigned \$ 0 Total Liabilities and Fund Equity \$ 172,474

Exhibit A-4
Lexington School District No. I-57, Cleveland County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ended June 30, 2021

Balance Balance

ACTIVITIES July 1, 2020 Additions Deletions June 30, 2021

Football	\$ 487	\$ 8,672	\$ 7,270	\$ 1,889	Boys Basketball	370	3,755	2,557	1,568	Girls Basketball	1,209	11,441
	7,243	5,407	Drug Testing	297	1,215	0	1,512	Boys Baseball	1,425	3,835	2,712	2,548
	5,841	2,223	Wrestling	938	7,937	6,794	2,081	Girls Track	789	0	789	Athletics
	Athletic Support	9	3,075	3,075	9	Outdoor Education	108	1,217	1,236	89	Band	6,720
	Music	697	31,248	24,951	6,993	FCCLA	1,117	1,664	1,234	1,547	FFA	19,951
	Grade	2,221	670	717	2,173	Eleventh Grade	1,132	4,993	3,354	2,771	Elementary Activity	32,447
		31,186	HS Leadership	435	0	435	0	Middle School Activity	10,904	16,604	15,093	12,414
	Leadership	361	365	721	5	High School Activity	10,571	12,865	13,287	10,149	High School English	100
	Jr. High Stuco	1,223	469	789	903	MS Robotics	1,392	3,702	3,740	1,354	High School Stuco	82
	Yearbook	4,288	4,625	5,278	3,635	Art	78	0	0	78	Clearing	0
	Miscellaneous	1,459	2,943	2,603	1,800	Special Education	2,055	0	0	2,055	Nat'l Honor Society	324
	Spanish Class	413	0	0	413	Cheerleaders	7,733	13,661	11,294	10,100	Child Nutrition	0
	Fundraising	2	0	0	2	Technology	256	0	0	256	Cross Country	248
		18,413	11,308	Fifth Grade	1,819	4,320	4,813	1,325	Sixth Grade	3,039	1,844	1,431
		494	60	0	554	Total Activities	\$ 154,533	\$ 341,755	\$ 323,814	\$ 172,474		

Exhibit A-5
Lexington School District No. I-057, Cleveland County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Pass- Deferred Deferred Indirect Costs
Through Revenue Revenue Included In
Grantor's (Accounts Federal Federal (Accounts Federal
Federal Grantor/Pass Through Federal Project Receivable) Grant Grant Receivable) Grant Grantor/Program Title CFDA# Number July 1,
2020 Receipts Expenditures June 30, 2021 Expenditures U.S. Department of Education

Direct Programs:
Indian Education Title VII 84.060A 561 0 30,954 40,475 (9,521) 0

Passed Through Oklahoma State Department of Education:
Title I, Basic 84.010 511/541 (2,764) 274,724 272,309 (349) 0 Title I (2,764) 274,724 272,309 (349) 0

IDEA-B Flowthrough 84.027 621 (69,746) 282,278 212,532 0 0 IDEA-B COVID Assistance 84.027 617 0 0 10,010 (10,010) 0
IDEA-B Preschool 84.173 641 0 6,144 6,144 0 0 Special Education Cluster (69,746) 288,422 228,686 (10,010) 0

COVID-19 ESSERF/CARES Act 84.425D 788 0 153,906 166,851 (12,945) 750 COVID-19 ESSER II Formula Fund 84.425D 793 0
0 116,875 (116,875) 0 COVID-19 ESSER FUNDS 0 153,906 283,726 (129,820) 750

Title VI, Part B (Note 4) 84.358 587 (3,154) 3,154 0 0 0 Title IV, Part A 84.424 552 (1,039) 3,519 2,480 0 0 Total U.S.
Department of Education (76,703) 754,679 827,676 (149,700) 750

U.S. Department of Agriculture

Passed Through State Department of Education:

Breakfast Program 10.553 764 83,161 84,861 40,927 127,095 0 Lunch Program 10.555 763 (13,907) 180,307 173,804 (7,404) 0
Commodities Distributed-Lunch (Note 3) 10.565 N/A 0 21,459 21,459 0 0 Child Nutrition Cluster 69,254 286,627 236,190 119,691
0

Total U.S. Department of Agriculture 69,254 286,627 236,190 119,691 0 TOTAL FEDERAL ASSISTANCE (7,449) 1,041,306 1,063,866
(30,009) 750

Exhibit B-1

**Lexington School District No. I-057, Cleveland County,
Oklahoma Notes to the Schedule of Expenditures of Federal
Awards
For the Year Ended June 30, 2021**

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School 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 the School, it is not intended and does not present the financial position, changes in net position or cash flows of the School.

Note 2 – Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except for nonmonetary assistance noted in Note 3. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 – Food Distribution – Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4 – Title VI, Part B – Beginning receivable should have been \$3,154. The beginning receivable has been adjusted to this amount.

Exhibit B-2



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CERTIFIED PUBLIC ACCOUNTANTS

**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
Lexington School District No. I-057
Cleveland County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis, within the combined financial statements of Lexington School District No. I 057, Cleveland 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 financial statements and have issued our report thereon dated ----- . The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 Lexington School District No. I-057, Cleveland County, Oklahoma's, internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in

Exhibit C-1

internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2021-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.

Lexington School District No. I-057, Cleveland County, Oklahoma's, Response to Findings

Lexington School District No. I-057, Cleveland County, Oklahoma's response to the findings identified in our audit are described in the attached corrective action plan. The District'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.

Chickasha, Oklahoma
Date _____

Exhibit C-2



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CERTIFIED PUBLIC ACCOUNTANTS

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
Lexington School District No. I-057
Cleveland County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited Lexington School District No. I-057, Cleveland 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 the District's 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 Lexington School District No. I-057, Cleveland 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 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, Lexington School District No. I-057, Cleveland 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.

Exhibit D-1

Report on Internal Control Over Compliance

Management of the District 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 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 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.

Chickasha, Oklahoma

Date _____

Exhibit D-2
Lexington School District No. I-057, Cleveland County, Oklahoma
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements-regulatory basis 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.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes X No

Significant Deficiencies identified not considered to be material weaknesses? X Yes

No Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Type of auditor's report issued on compliance for major programs: Unmodified in conformity with regulatory basis of accounting.

Internal Control Over Major Programs:

Material Weakness(es) identified? Yes X No

Significant Deficiencies identified not considered to be material weaknesses? ___ Yes X No

Audit Findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)? Yes X No

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

Auditee Qualified as low-risk auditee under Uniform Guidance? Yes X No

Identification of Major Programs:

CFDA#

84.425D Covid 19 ESSER Funds

84.027, 84.173 Special Education Cluster

Exhibit E -1
Lexington School District No. I-057, Cleveland County, Oklahoma
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021
(Continued)

Findings-Financial Statement Audit

2021-001

Statement of Condition – The federal matching teacher retirement on salaries charged to ESSER (Project 788) were underpaid and salaries charged to IDEA B (Project 621/641) were overpaid. We estimate the underpayment of the federal matching to be approximately \$428 and overpayment to be approximately \$570.

Criteria – Per Oklahoma Teachers Retirement System, Section 715:10-13-7, “Statutes require employers of Teachers' Retirement System members whose compensation is paid from federal funds to match the contributions of these members on all compensation or that portion of compensation paid from these funds. Federal matching funds shall be transmitted at the same time and in the same manner as the members' contributions. Effective July 1, 2001, employers shall match on a pro rata basis the contributions of members whose salaries are paid by federal funds or externally sponsored agreements such as grants, contracts and cooperative

agreements. Matching contributions shall be required on all salaries funded from revenues other than funds generated from local taxes or revenues originating from the State of Oklahoma. No later than April 1, 2001, and each April 1 thereafter, the Board of Trustees of the Teachers' Retirement System shall set the contribution rate to be paid by employers. The contribution rate shall be determined using cost principles established by federal regulations and shall be consistent with generally accepted accounting principles. "

Cause/Effect of Condition – The District did not have these federal project codes setup to withhold the proper amount of federal matching teacher retirement for Project 788 and the IDEA B salaries were reclassified. Teacher retirement was overpaid.

Recommendation – The District needs to make sure its software is setup correctly to properly withhold teacher retirement in the future.

Findings and Questioned Costs – Major Federal Award Programs

Audit (None Reported)

Exhibit E -2
Lexington School District No. I-057, Cleveland County, Oklahoma
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

2020-001

Statement of Condition – The school did not have enough collateral pledged to cover the balance in their bank account in excess of FDIC insurance. The amount the school was undercollateralized on June 30, 2020 was \$1,130,912.67.

Criteria – The bank should issue collateral pledged for the amount of cash in the bank in excess of the \$250,000 FDIC coverage amount.

Cause/Effect of Condition -The treasurer thought they had enough collateral pledged, so it was not brought to the bank's attention to issue more collateral pledged. The treasurer noticed this in July 2020 and contacted the bank to have them issue more collateral. Should the bank default, funds in excess of FDIC coverage may not be recovered by the school.

Recommendation – We recommend the treasurer monitor the amount of collateral pledged necessary on a monthly basis.

Current Status – This was not noted for the 2020-2021 audit.

2020-002

Daniel Johnston

by _____

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

Notary Public

My Commission Expires 07-01-2022

Exhibit G-1
SCHOOL'S CORRECTIVE ACTION PLAN