

ANNUAL FINANCIAL REPORT
WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
JULY 1, 2020 TO JUNE 30, 2021

AUDITED BY
KERRY JOHN PATTEN, C.P.A.

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

Board of Education

President	Robert Everman
Vice-President	Robert Sharp
Clerk	LaToya Johnson (non-member)
Member	Briana Flatley
Member	Ms. Linda Farley
Member	Rosalind Cravens

Superintendent of Schools

Mannix Barnes

School District Treasurer

Gayle Mize

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
JUNE 30, 2021**

TABLE OF CONTENTS

	Page
Report of Independent Auditor	1
Combined Financial Statements	
Combined Statement of Assets, Liabilities and Fund Balances – All Fund Types and Account Groups – Regulatory Basis.....	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – All Governmental Fund Types Regulatory Basis	5
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Budget and Actual – Regulatory Basis General Fund and Special Revenue Fund	6
Notes to the Financial Statements	7
Combining Financial Statements	
Combining Statement of Assets, Liabilities and Fund Balances – All Special Revenue Funds – Regulatory Basis	20
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – All Special Revenue Funds Regulatory Basis	21
Combining Statement of Assets, Liabilities and Fund Balances – Capital Project Funds – Regulatory Basis	22
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances – Capital Project Funds – Regulatory Basis.....	23
Combining Statement of Assets, Liabilities and Fund Balances – Fiduciary Fund – Regulatory Basis	24
Supplemental Information	
Budgetary Comparison Schedule – Regulatory Basis Building Fund.....	25
Schedule of Expenditures of Federal Awards	26
Notes to the Schedule of Expenditures of Federal Awards.....	28
School Activity Fund – Receipts, Transfers, Disbursements and Sub-account Balances	29

(continued)

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
JUNE 30, 2021

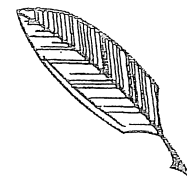
TABLE OF CONTENTS

Reports Required by *Government Auditing Standards*

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 <i>Government Auditing Standards</i>	34
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures Of Federal Awards Required by the Uniform Guidance	36
Schedule of Findings and Questioned Costs	39
Summary of Prior Audit Findings	50
Schedule of Comments	51
Schedule of Accountant's Professional Liability Insurance Affidavit	52
Response from the Superintendent	

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



Independent Auditor's Report

The Honorable Board of Education
Western Heights School District No. I-41
Oklahoma County, Oklahoma

Report on Financial Statements

I was engaged to audit the accompanying combined fund type and account group financial statements – regulatory basis of the Western Heights School District No. I-41, Oklahoma 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.

I do not express an opinion on the accompanying financial statements of Western Heights School District No. I-11, Oklahoma County, Oklahoma. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The School District does not maintain adequate accounting records to provide sufficient information for the preparation of the financial statements including the following:

- Payroll
Of the employees tested, 22% of payroll expenditures tested were not supported by employment contracts or other authorization resulting in a potential error to financial statements.
- Quarterly IRS reports 941 payroll tax reports had not all been filed or provided to us therefore, unable to be audited.
- Bank reconciliations were not performed during the audit period.
- The District does not have information necessary to include General Fixed Asset Account Group.

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 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 Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of Western Heights School District's financial statements 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 and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

I am required to be independent of Western Heights School and to meet my other ethical responsibilities, in accordance with the relevant-ethical requirements relating to my audit.

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

As discussed in Note 1 (C) to the financial statements, the financial statements are prepared by the Western Heights School District No. I-41, Oklahoma County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which a basis of accounting other than accounting principles generally accepted in the United States of America to comply with 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 (C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Western Heights School District No. I-41, Oklahoma County, Oklahoma as of June 30, 2021, or the revenues, expenses, and changes in financial position for the year then ended.

Other Matters Other Information

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements-regulatory basis, and other schedules as listed in the table of contents, under supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. 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 financial statements-regulatory basis, and other schedules as listed in the table of contents, under supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements, and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Disclaimer of Opinion above, it is inappropriate to and I do not express an opinion on the Supplementary information including the Schedule of Expenditures of Federal Awards.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2022, on my consideration of Western Heights School District No. I-41, Oklahoma County, Oklahoma's, internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

A handwritten signature in dark ink, appearing to read "Kerry John Patten", with a stylized flourish at the end.

Kerry John Patten, C.P.A.
Broken Arrow, Oklahoma
May 31, 2022

COMBINED FINANCIAL STATEMENTS

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2021

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Total Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Trust and Agency	General Long-term Debt	
ASSETS								
Cash	\$ 5,837,438.74	\$ 2,356,795.75	\$ 10,085,545.43	\$ 15,254,270.13	\$ 471,403.92	\$ -	\$ 34,005,453.97	
Investments	-	-	-	-	-	-	-	
Amounts available in debt service fund	-	-	-	-	-	10,085,545.43	10,085,545.43	
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	67,405,839.16	67,405,839.16	
Total assets	\$ 5,837,438.74	\$ 2,356,795.75	\$ 10,085,545.43	\$ 15,254,270.13	\$ 471,403.92	\$ 77,491,384.59	\$ 111,496,838.56	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Outstanding warrants	\$ 948,501.60	\$ 64,657.38	\$ -	\$ 729,831.19	\$ 8,816.51	\$ -	\$ 1,751,806.68	
Encumbrances	43,591.63	10,833.40	-	28,407.35	-	-	82,832.38	
Long-term debt:								
Capitalized lease obligations payable	-	-	-	-	-	39,501,384.59	39,501,384.59	
Bonds payable	-	-	-	-	-	37,990,000.00	37,990,000.00	
Interest payable	-	-	-	-	-	-	-	
Total liabilities	\$ 992,093.23	\$ 75,490.78	\$ -	\$ 758,238.54	\$ 8,816.51	\$ 77,491,384.59	\$ 79,326,023.65	
Fund Balances								
Designated for capital projects	\$ -	\$ -	\$ -	\$ 14,496,031.59	\$ -	\$ -	\$ 14,496,031.59	
Designated for debt service	-	-	10,085,545.43	-	-	-	10,085,545.43	
Cash fund balances	4,845,345.51	2,281,304.97	-	-	462,587.41	-	7,589,237.89	
Total fund balances	\$ 4,845,345.51	\$ 2,281,304.97	\$ 10,085,545.43	\$ 14,496,031.59	\$ 462,587.41	\$ -	\$ 32,170,814.91	
Total liabilities and fund balances	\$ 5,837,438.74	\$ 2,356,795.75	\$ 10,085,545.43	\$ 15,254,270.13	\$ 471,403.92	\$ 77,491,384.59	\$ 111,496,838.56	

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

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 15,944,788.97	\$ 2,575,361.24	\$ 9,966,624.54	\$ -	\$ 28,486,774.75
Intermediate sources	1,031,222.23	-	-	-	1,031,222.23
State sources	7,080,599.64	252.56	1,139.02	-	7,081,991.22
Federal sources	5,318,899.18	-	-	-	5,318,899.18
Non-revenue sources	4,106.04	-	83,798.01	-	87,904.05
Total revenues collected	\$ 29,379,616.06	\$ 2,575,613.80	\$ 10,051,561.57	\$ -	\$ 42,006,791.43
Expenditures paid:					
Instruction	\$ 15,446,164.97	\$ -	\$ -	\$ 57,932.80	\$ 15,504,097.77
Support services	10,744,670.75	1,096,157.23	-	681,128.89	12,521,956.87
Non-instructional services	1,169,029.78	-	-	6,043,496.38	7,212,526.16
Capital outlay	-	-	-	-	-
Other outlays	296.45	-	-	-	296.45
Other uses	-	-	-	-	-
Repayments	-	-	-	-	-
Debt service:					
Principal retirement	-	102,164.97	7,755,000.00	9,722,713.00	17,579,877.97
Interest	-	6,769.21	504,915.00	-	511,684.21
Total expenditures paid	\$ 27,360,161.95	\$ 1,205,091.41	\$ 8,259,915.00	\$ 16,505,271.07	\$ 53,330,439.43
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ 2,019,454.11	\$ 1,370,522.39	\$ 1,791,646.57	\$ (16,505,271.07)	\$ (11,323,648.00)
Adjustments to prior year encumbrances	\$ (408,374.21)	\$ 71,742.51	\$ -	\$ -	\$ (336,631.70)
Other financing sources (uses):					
Bond sale proceeds	\$ -	\$ -	\$ -	\$ 13,100,000.00	\$ 13,100,000.00
Premium on Bonds Sold	-	-	-	(169,006.80)	(169,006.80)
Operating transfers in/(out)	-	169,006.80	-	-	169,006.80
Total other financing sources (uses)	\$ -	\$ 169,006.80	\$ -	\$ 12,930,993.20	\$ 13,100,000.00
Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)	\$ 1,611,079.90	\$ 1,611,271.70	\$ 1,791,646.57	\$ (3,574,277.87)	\$ 1,439,720.30
Fund balances, beginning of year	\$ 3,234,265.61	\$ 670,033.27	\$ 8,293,898.86	\$ 18,070,309.46	\$ 30,268,507.20
Fund balances, end of year	\$ 4,845,345.51	\$ 2,281,304.97	\$ 10,085,545.43	\$ 14,496,031.59	\$ 31,708,227.50

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

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			Special Revenue Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:						
Local sources	\$ 14,493,951.93	\$ 14,493,951.93	\$ 15,944,788.97	\$ 2,055,770.27	\$ 2,055,770.27	\$ 2,575,361.24
Intermediate sources	810,316.96	810,316.96	1,031,222.23	-	-	-
State sources	8,736,305.60	8,736,305.60	7,080,599.64	-	-	252.56
Federal sources	6,079,753.64	6,079,753.64	5,318,899.18	-	-	-
Non-revenue sources	-	-	4,106.04	-	-	-
Total revenues collected	\$ 30,120,328.13	\$ 30,120,328.13	\$ 29,379,616.06	\$ 2,055,770.27	\$ 2,055,770.27	\$ 2,575,613.80
Expenditures paid:						
Instruction	\$ 33,354,593.74	\$ 33,354,593.74	\$ 15,446,164.97	\$ 2,725,803.54	\$ 2,725,803.54	\$ -
Support services	-	-	10,744,670.75	-	-	-
Non-instructional services	-	-	1,169,029.78	-	-	1,096,157.23
Capital outlay	-	-	-	-	-	-
Other outlays	-	-	296.45	-	-	-
Other Uses	-	-	-	-	-	-
Repayment	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	102,164.97
Interest	-	-	-	-	-	6,789.21
Total expenditures paid	\$ 33,354,593.74	\$ 33,354,593.74	\$ 27,360,161.95	\$ 2,725,803.54	\$ 2,725,803.54	\$ 1,205,091.41
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ (3,234,265.61)	\$ (3,234,265.61)	\$ 2,019,454.11	\$ (670,033.27)	\$ (670,033.27)	\$ 1,370,522.39
Adjustments to prior year encumbrances	\$ -	\$ -	\$ (408,374.21)	\$ -	\$ -	\$ 71,742.51
Other financing sources (uses):						
Operating transfers in/out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	-	-	-	-	-	169,006.80
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,006.80
Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)	\$ (3,234,265.61)	\$ (3,234,265.61)	\$ 1,611,079.90	\$ -	\$ -	\$ 1,611,271.70
Fund balance, beginning of year	\$ 3,234,265.61	\$ 3,234,265.61	\$ 3,234,265.61	\$ 670,033.27	\$ 670,033.27	\$ 670,033.27
Fund balance, end of year	\$ -	\$ -	\$ 4,845,345.51	\$ -	\$ -	\$ 2,281,304.97

NOTES TO THE FINANCIAL STATEMENTS

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

The accompanying financial statements of the Western Heights School District No. I-41 (the "District") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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. 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. These statements present only the activities of the District.

B. Measurement Focus

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 an independent accounting entity with a self-balancing set of accounts. The account groups are financial reporting devices designed to provide accountability for certain assets and liabilities that are not recorded directly in the funds.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." The District has the following fund types and account groups:

Governmental Funds

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 project funds), and the servicing of general long-term debt (debt service funds). Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received, rather than earned. Expenditures are generally recognized when encumbered or reserved, rather than at the time the related liability is incurred.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable, available financial resources. Fiduciary type funds are accounted for using the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

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 local property taxes and federal and state funding. 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 used for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Building Fund – The building fund consists mainly of monies derived from 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 school 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.

Child Nutrition Fund – The child nutrition fund consists of revenues from local collections, state, and federal sources used to benefit the food service program. These funds were consolidated into the General Fund June 27, 2019.

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 and interest. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund – 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.

Fiduciary Funds

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 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.

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, for collecting, disbursing, and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets.

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. .

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

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

C. Basis of Accounting and Presentation

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

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 payables are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure when the obligation is paid.
- Fixed Assets are recorded in the General Fixed Asset Account Group. Fixed assets are not depreciated.

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.

D. Budgets and Budgetary Accounting

Prior to July 1 each year, the governing board of the school district prepares a verified application showing the needs of the school district and submits the application to the County Excise Board, who makes temporary appropriations for lawful current expenses of the school district. The temporary appropriations are merged with the annual appropriations when the annual budget for the school district is finally approved.

Prior to October 1 each year, the school Board of Education must make a financial statement, showing the true fiscal condition of the school as of the close of the previous fiscal year ended June 30, along with an itemized statement of estimated needs and probable income from all sources for the fiscal year.

A budget is legally adopted by the Board of Education for the general fund and special revenue fund(s) of the school district.

Encumbrances represent commitments to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Under Oklahoma Law, unencumbered appropriations lapse at the end of the year.

E. Assets, Liabilities and Fund Equity

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 on the aggregation of this data.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

Cash – Cash consists of currency and checks on hand, demand deposit accounts with banks and other financial institutions.

Investments – State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost.

Inventories – Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased, rather than when consumed.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources are reported as 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 non-vesting accumulating rights to receive such pay benefits.

Fixed Assets – The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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.

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

F. Revenues, Expenses and Expenditures

Local Revenues – Revenue from local sources is revenue produced within the school district, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the school board.

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 the tax is 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 taxes are delinquent and unpaid for a period of three (3) years or more the real estate may be sold for taxes.

Intermediate Revenues – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, such as a county or municipality, and redistributed to the school district.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. 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 educational program revenues be accounted for in the general fund.

Federal Revenues – Revenue from Federal sources is money originating from the Federal government and made available to the school district either as direct grants or under various programs passed-through the State Department of Education or other state agencies.

The Federal government also makes payments to school districts whose revenues are adversely affected by the presence of Federal activities. Although these payments are made in consideration of lost property tax revenue, the Oklahoma State Department of Education advocates classifying such amounts as revenue from Federal sources.

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. Examples of expenditures that might be included here are the activities of teacher assistant 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.

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 objective of instruction, community services and enterprise programs, rather than as entitles within them.

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

Facilities Acquisition and Construction Services Expenditures – Consist 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 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).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures 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 overpayments, non-qualified expenditures, and other refunds to be repaid from District funds.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

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

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

Budgetary Information

Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all general and special revenue 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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board, becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown included in supporting schedules.

2. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds, or judgments of the school district.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Deposit Categories of Credit Risk (continued)

9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

The District's investment policy instructs the treasurer to minimize risks by diversifying the investment portfolio; structuring investments so that securities mature in time to meet cash requirements; and by investing the full amount of all accounts of the District.

Custodial Credit Risk:

Deposits and Investments - The District's demand deposits are required by law to be collateralized by the amount that is not federally insured.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution but are pledged to the District. The security cannot be released, substituted, or sold without the School Treasurer's approval and release of the security.

Certificates of deposit are collateralized at least by the amount not federally insured. As of June 30, 2021, the District had no deposits exposed to custodial credit risk.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

Credit Risk:

The District has no formal written policy addressing credit risk.

At June 30, 2021, the District has no investments.

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. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt for the District includes bonds payable and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Debt service requirements for capital leases are paid from general obligation bond proceeds and/or appropriations from other District funds.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Long-Term Debt (continued)

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

	<u>Amount Outstanding</u>
School District No. I-41 Combined Purpose Bonds, Series 2021, original issue \$13,100,000.00, average interest rate of 1.00%, first installment of \$3,200,000.00 due on January 1, 2023, and annual installments of \$3,300,000.00 due thereafter, final payment due on January 1, 2026.	\$ 13,100,000.00
School District No. I-41 Combined Purpose Bonds, Series 2017, original issue \$7,670,000.00, average interest rate of 1.88%, first installment of \$1,745,000.00 due on February 1, 2019, and annual installments of \$1,975,000.00 due thereafter, final payment due on February 1, 2022.	1,975,000.00
School District No. I-41 Combined Purpose Bonds, Series 2018, original issue \$7,930,000.00, average interest rate of 2.19%, first installment of \$1,615,000.00 due on January 1, 2020, and annual installments of \$2,105,000.00 due thereafter, final payment due on January 1, 2023.	4,210,000.00
School District No. I-41 Combined Purpose Bonds, Series 2019, original issue \$8,770,000.00, average interest rate of 3.59%, first installment of \$1,000,000.00 due on January 1, 2021, and annual installments of \$2,590,000.00 due thereafter, final payment due on January 1, 2024.	7,770,000.00
School District No. I-41 Combined Purpose Bonds, Series 2020, original issue \$10,935,000.00, average interest rate of 2.00%, first installment of \$2,685,000.00 due on February 1, 2021, and annual installments of \$2,750,000.00 due thereafter, final payment due on February 1, 2025.	<u>10,935,000.00</u>
Total Bonds Outstanding	\$ <u>37,990,000.00</u>

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

Year ending June 30,	Principal	Interest	Total
2022	\$ 6,765,000.00	\$ 915,415.00	\$ 7,680,415.00
2023	10,645,000.00	551,617.50	11,196,617.50
2024	8,640,000.00	343,025.00	8,983,025.00
2025	8,640,000.00	200,940.00	8,840,940.00
2026	<u>3,300,000.00</u>	<u>16,500.00</u>	<u>3,316,500.00</u>
Total	\$ <u>37,990,000.00</u>	\$ <u>2,027,497.50</u>	\$ <u>40,017,497.50</u>

Interest expense incurred on general obligation bond debt during the current year totaled \$504,915.00.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Long-Term Debt (continued)

Lease Purchase Agreements

The school district's lease-purchase commitments include property financed through a technique referred to as "conduit financing." Conduit financing involves the use of a public trust, which issues conduit debt obligations (limited-obligations revenue bonds, certificates of participation, or similar debt instruments) for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The public trust has no obligation for such debt beyond the resources provided by a lease or loan with the third party, on whose behalf the debt is issued. The District has commitments of this type outstanding with Oklahoma County Finance Authority as follows:

Oklahoma County Finance Authority Lease Purchase dated July 1, 2013

The school district has entered into a Ground Lease Agreement with Oklahoma County Finance Authority on July 1, 2013, for certain real property owned by the District. The Ground Lease extends to June 30, 2022, and rent was prepaid in an amount equal to ten dollars (\$10.00) and other equitable consideration. The Ground Lease Agreement was made to facilitate the issuance of \$14,265,000.00 in revenue bonds by the Finance Authority to provide funds to equip, and repair football stadium, other athletic facilities, and school buildings.

The school district entered into a Sublease Agreement with Oklahoma County Finance Authority on July 1, 2013, wherein the real property subject to the Ground Lease mentioned in the previous paragraph is subleased to the school district to enable the District to utilize proceeds of the \$14,265,000.00 revenue bonds issued by Oklahoma County Finance Authority, for the construction and improvements on the real property and to provide a method for the District to obtain title to the property and improvements.

The Sublease Agreement is extended annually by affirmative action of the Board of Education. The schedule of acquisition payments follows:

Year ending June 30, 2022	Payments \$ <u>5,914,950.00</u>
Total	\$ <u>5,914,950.00</u>

The District's lease payment schedule is designed to coincide with the Authority's debt service payments on the \$14,265,000.00 bond debt. The school district taxpayers have previously approved a proposition to issue a series of general obligation bonds defining each series by purpose and amount of proceeds that each series will provide (the bonds are to be issued in series so that at no time the total bonds outstanding will exceed the amount allowed under the constitution of Oklahoma). The District is using the proceeds of these general obligation bonds to finance the installments of the lease-purchase obligation.

The above lease contains a clause that gives the District the ability to terminate the lease agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt account group.

Oklahoma County Finance Authority Lease Purchase dated February 1, 2018

The school district has entered into a Ground Lease Agreement with Oklahoma County Finance Authority on February 1, 2018, for certain real property owned by the District. The Ground Lease extends to June 30, 2025. The Ground Lease Agreement was made to facilitate the issuance of \$25,030,000.00 in tax-exempt revenue 2018A bonds and \$8,810,000 in federally taxable 2018B bonds by the Finance Authority to provide funds to improve, install, acquire or demolish property, buildings, and equipment and to pay the refunding and redeeming of certain outstanding bonds of the Issuer which financed the costs of acquiring, constructing, equipping, furnishing, repairing and remodeling other school buildings for use by the District.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Long-Term Debt (continued)

The school district entered into a Sublease Agreement with Oklahoma County Finance Authority on February 1, 2018, wherein the real property subject to the Ground Lease mentioned above is subleased to the school district to enable the District to utilize proceeds of the \$25,030,000.00 tax exempt revenue 2018A bonds issued by Oklahoma County Finance Authority, for the construction and improvements on the real property and to provide a method for the District to obtain title to the property and improvements.

The Sublease Agreement is extended annually by affirmative action of the Board of Education. The schedule of acquisition payments follows:

Year ending June 30,	Payments
2022	\$ 1,932,347.00
2023	8,401,585.00
2024	11,183,735.00
2025	11,752,985.00
Total	\$ <u>33,270,652.00</u>

The District's lease payment schedule is designed to coincide with the Authority's debt service payments on the \$33,840,000.00 bond debt. The school district taxpayers have previously approved a proposition to issue a series of general obligation bonds defining each series by purpose and amount of proceeds that each series will provide (the bonds are to be issued in series so that at no time the total bonds outstanding will exceed the amount allowed under the constitution of Oklahoma). The District is using the proceeds of these general obligation bonds to finance the installments of the lease-purchase obligation.

The above lease contains a clause that gives the District the ability to terminate the lease agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt account group.

Qualified Zone Academy Bonds Lease Purchase dated February 28, 2014

The District has entered into a lease purchase agreement in the amount of \$1,000,000.00 pursuant to the provisions of federal legislation which authorizes the issuance of Qualified Zone Academy Bonds (QZABs). The funding is to be used for equipment and for renovations. Those assets are leased from Zions First National Bank for a period of ten years beginning February 28, 2015, with annual payments of \$108,434.18. These payments will earn interest at a rate of 1.50% for a total of \$84,341.79 in interest, which will be applied towards the capital lease payments. By contract, the school has the option of discontinuing the lease-purchase and returning the equipment at the end of any fiscal year. At the end of the contract period, the school will have ownership of the assets.

The following schedule presents future years principal and interest payments for the QZAB lease-purchase agreement at June 30, 2021:

Year ending June 30,	Principal	Interest	Total
2022	103,697.45	4,736.73	108,434.18
2023	105,252.91	3,181.27	108,434.18
2024	106,831.70	1,602.48	108,434.18
Total	\$ <u>315,782.06</u>	\$ <u>9,520.48</u>	\$ <u>325,302.54</u>

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Long-Term Debt (continued)

Changes in General Long-Term Debt

The following schedule presents the District's changes in General Long-Term Debt for fiscal year 2020-21:

	<u>Bonds Payable</u>	<u>Leases Payable</u>	<u>Total Payable</u>
Balance, July 1, 2020	\$ 32,645,000.00	\$ 49,326,262.56	\$ 81,971,262.56
Additions	13,100,000.00	-	13,100,000.00
Retirements	<u>7,755,000.00</u>	<u>9,824,877.97</u>	<u>17,579,877.97</u>
Balance, June 30, 2021	\$ <u>37,990,000.00</u>	\$ <u>39,501,384.59</u>	\$ <u>77,491,384.59</u>

4. Employee Retirement System

Description of Plan

The District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which is a cost-sharing multiple-employer public employee retirement system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System has prepared its financial statements in accordance with accounting principles generally accepted in the United State of America and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchase and sales are recorded as of their trade dates. Member and employer contributions are established by Oklahoma Statutes as percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Oklahoma Statutes. Administrative expenses are funded through investment earnings.

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 applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. The contribution rate for employers is 9.5%. The State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage has been 5.00% since FY 2008. HB 2741 passed during the 2020 legislative session which temporarily reduced the rate to 3.50% for FY 2021. HB 2894 passed during the 2021 legislative session which restored the rate to 5.00% for FY 2022 and then changed the rate to 5.25% for FY 2023 through FY 2027. The rate is scheduled to return back to 5.00% beginning in FY 2028. The lottery proceeds contributed to the System were not impacted by this legislation. The matching contribution rate for FY 2021 is 7.7% of applicable payroll. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Employee Retirement System (continued)

Annual Pension Cost

The District's total contributions for 2021, 2020, and 2019 were \$2,353,420.55, \$2,766,570.81, and \$2,743,453.27, respectively. The District's total payroll for fiscal year 2020-21 amounted to \$16,217,671.88

5. Litigation

The District is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized, and would not materially affect the financial position of the District at June 30, 2021.

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 officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is 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 is 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.

7. Surety Bonds

The treasurer/payroll clerk/activity fund clerk is bonded by RLI Insurance Company, bond number LSM 0276180, for the sum of \$100,000.00 effective July 1, 2020, to July 1, 2021.

The activity fund custodian is bonded by RLI Insurance Company, bond number LSM 1345469, for the sum of \$100,000.00 effective July 1, 2020 to July 1, 2021.

The Insurance coordinator/deputy minutes clerk is bonded by RLI Insurance Company, bond number LSM1439173, for the sum of \$100,000.00 for the term of April 16, 2020, to July 1, 2021.

The encumbrance clerk/minutes clerk is bonded by RLI Insurance Company, bond number LSM 0276184, for the sum of \$100,000.00 for term July 1, 2020, to July 1, 2021.

The encumbrance clerk is bonded by RLI Insurance Company, bond number LSM 1517504, for the sum of \$100,000.00 for term May 10, 2021, to July 1, 2022.

The Superintendent is bonded by RLI Insurance Company, bond number LSM 1276878, for the penal sum of \$100,000.00 for the term of August 1, 2020 to August 1, 2021.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

8. License Agreement

On April 24, 1996, the District entered into a contract with Oklahoma Gas & Electric Company to establish fiber optic lines utilizing OG&E's electric utility structures to permit technology connectivity between all Western Heights School sites and Oklahoma City Community College. As partial consideration for the grant of license to install and attach fiber optic cable to poles owned by OG&E, the District granted OG&E exclusive right and license to use up to twelve single mode strands of all fiber optic cable installed by the District. The agreement is one year, renewable in one-year increments for a period of thirty years from the date of the agreement.

9. Subsequent Event

On July 12, 2021, the Oklahoma State Board of Education voted to order a state intervention of Western Heights School District. As a part of that intervention, the State Board appointed a State Department of Education employee as "Interim Superintendent" for the District and advised that future District actions would be subject to approval of the Oklahoma State Board of Education.

Subsequently, the Western Heights School District filed a lawsuit (CV-21-945) in Oklahoma County District Court against the Oklahoma State Department of Education and State Superintendent of Public Instruction alleging, among other things, that there is no statutory authority for the Oklahoma State Department of Education to take over/or operate a local school district or to employ or appoint a local school superintendent. That case was dismissed by a District Judge; the District appealed the case and the Oklahoma Supreme Court voted to hear the case. At the date of this audit report, the Oklahoma Supreme Court has not heard or ruled on the appeal.

On July 12, 2021, the Oklahoma State Board of Education voted to approve a request for the Oklahoma State Auditor's office to conduct a special investigative audit of Western Heights Independent School District for fiscal years 2019-20 to current and any other years deemed necessary, for compliance with statutes, rules, policies and internal control procedures or other items applicable to Western Heights Independent School District. At the date of this audit report, the Oklahoma State Auditor's office had not issued a special investigative audit report pursuant to the Oklahoma State Board of Education request.

COMBINING FINANCIAL STATEMENTS

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2021

	<u>Building Fund</u>
<u>ASSETS:</u>	
Cash	\$ 2,356,795.75
Investments	<u>-</u>
Total assets	\$ <u>2,356,795.75</u>
 <u>LIABILITIES AND FUND BALANCES:</u>	
Liabilities:	
Outstanding warrants	\$ 64,657.38
Encumbrances	<u>10,833.40</u>
Total liabilities	\$ <u>75,490.78</u>
Fund balances:	
Cash fund balances	\$ <u>2,281,304.97</u>
Total fund balances	\$ <u>2,281,304.97</u>
 Total liabilities and fund balances	 \$ <u>2,356,795.75</u>

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Building Fund</u>
Revenues collected:	
Local sources	\$ 2,575,361.24
Intermediate sources	-
State sources	252.56
Federal sources	-
Non-revenue sources	-
Total revenue collected	\$ <u>2,575,613.80</u>
Expenditures paid:	
Instruction	\$ -
Support services	1,096,157.23
Non-instructional services	-
Capital outlay	-
Other outlays	-
Other uses	-
Repayments	-
Debt service:	
Principal retirement	102,164.97
Interest	6,769.21
Total expenditures paid	\$ <u>1,205,091.41</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	 \$ <u>1,370,522.39</u>
Adjustments to prior year encumbrances	\$ <u>71,742.51</u>
Other financing sources (uses):	
Operating transfers in/(out)	\$ 169,006.80
Bank charges	-
Total other financing sources (uses)	\$ <u>169,006.80</u>
Excess of revenues and other sources over (under) expenditures and other uses	 \$ <u>1,611,271.70</u>
Fund balances, beginning of year	\$ <u>670,033.27</u>
Fund balances, end of year	\$ <u><u>2,281,304.97</u></u>

-

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
CAPITAL PROJECT FUNDS - REGULATORY BASIS
JUNE 30, 2021

	Bond Fund 31	Bond Fund 32	Bond Fund 33	Bond Fund 34	Total
<u>ASSETS</u>					
Assets:					
Cash	\$ 21,250.00	\$ -	\$ 737,232.00	\$ 14,495,788.13	\$ 15,254,270.13
Investments	-	-	-	-	-
Total assets	<u>\$ 21,250.00</u>	<u>\$ -</u>	<u>\$ 737,232.00</u>	<u>\$ 14,495,788.13</u>	<u>\$ 15,254,270.13</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Outstanding warrants	\$ -	\$ -	\$ -	\$ 729,831.19	\$ 729,831.19
Encumbrances	-	-	28,407.35	-	28,407.35
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,407.35</u>	<u>\$ 729,831.19</u>	<u>\$ 758,238.54</u>
Fund balances:					
Designated for capital projects	\$ 21,250.00	\$ -	\$ 708,824.65	\$ 13,765,956.94	\$ 14,496,031.59
Undesignated	-	-	-	-	-
Total fund balances	<u>\$ 21,250.00</u>	<u>\$ -</u>	<u>\$ 708,824.65</u>	<u>\$ 13,765,956.94</u>	<u>\$ 14,496,031.59</u>
Total liabilities and fund balances	<u>\$ 21,250.00</u>	<u>\$ -</u>	<u>\$ 737,232.00</u>	<u>\$ 14,495,788.13</u>	<u>\$ 15,254,270.13</u>

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Bond Fund 31	Bond Fund 32	Bond Fund 33	Bond Fund 34	Total
Revenues collected:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues collected	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures paid:					
Instruction	\$ -	\$ -	\$ -	\$ 57,932.80	\$ 57,932.80
Support services	-	68,250.00	209,791.35	403,087.54	681,128.89
Non-instructional services	-	-	-	6,043,496.38	6,043,496.38
Capital outlays	-	-	-	-	-
Repayments	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal Retirement	3,855,750.00	5,866,963.00	-	-	9,722,713.00
Interest	-	-	-	-	-
Total expenditures paid	\$ 3,855,750.00	\$ 5,935,213.00	\$ 209,791.35	\$ 6,504,516.72	\$ 16,505,271.07
Excess of revenues collected over (under) expenditures	\$ (3,855,750.00)	\$ (5,935,213.00)	\$ (209,791.35)	\$ (6,504,516.72)	\$ (16,505,271.07)
Adjustments to prior year encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):					
Bond sale proceeds	\$ -	\$ 6,570,000.00	\$ 550,000.00	\$ 5,980,000.00	\$ 13,100,000.00
Operating transfers in/(out)	-	(7,119,787.00)	(181,384.00)	7,132,164.20	(169,006.80)
Total other financing sources (uses)	\$ -	\$ (549,787.00)	\$ 368,616.00	\$ 13,112,164.20	\$ 12,930,993.20
Excess revenues and other sources over (under) expenditures and other uses	\$ (3,855,750.00)	\$ (6,485,000.00)	\$ 158,824.65	\$ 6,607,647.48	\$ (3,574,277.87)
Fund balances, beginning of year	\$ 3,877,000.00	\$ 6,485,000.00	\$ 550,000.00	\$ 7,158,309.46	\$ 18,070,309.46
Fund balances, end of year	\$ 21,250.00	\$ -	\$ 708,824.65	\$ 13,765,956.94	\$ 14,496,031.59

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
FIDUCIARY FUND - REGULATORY BASIS
JUNE 30, 2021

	<u>Agency Fund</u>
	<u>Activity Fund</u>
<u>ASSETS:</u>	
Cash	\$ 471,403.92
Investments	<u>-</u>
Total assets	<u>\$ 471,403.92</u>
<u>LIABILITIES AND FUND BALANCES:</u>	
Liabilities:	
Outstanding warrants	\$ 8,816.51
Due to other funds	<u>-</u>
Total liabilities	<u>\$ 8,816.51</u>
Fund balances:	
Cash fund balances	\$ 462,587.41
Total fund balances	<u>\$ 462,587.41</u>
 Total liabilities and fund balances	 <u>\$ 471,403.92</u>

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
BUILDING FUND

FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues collected:				
Local sources	\$ 2,055,770.27	\$ 2,055,770.27	\$ 2,575,361.24	\$ 519,590.97
Intermediate sources	-	-	-	-
State sources	-	-	252.56	252.56
Federal sources	-	-	-	-
Total revenues collected	\$ 2,055,770.27	\$ 2,055,770.27	\$ 2,575,613.80	\$ 519,843.53
Expenditures paid:				
Instruction	\$ 2,725,803.54	\$ 2,725,803.54	\$ -	\$ 2,725,803.54
Support services	-	-	1,096,157.23	(1,096,157.23)
Non-instructional services	-	-	-	-
Capital outlay	-	-	-	-
Other Outlays	-	-	-	-
Other Uses	-	-	-	-
Debt service:				
Principal retirement	-	-	102,164.97	(102,164.97)
Interest	-	-	6,769.21	(6,769.21)
Total expenditures	\$ 2,725,803.54	\$ 2,725,803.54	\$ 1,205,091.41	\$ 1,520,712.13
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ (670,033.27)	\$ (670,033.27)	\$ 1,370,522.39	\$ 2,040,555.66
Adjustments to prior year encumbrances	\$ -	\$ -	\$ 71,742.51	\$ 71,742.51
Other financing sources (uses):				
Operating transfers in/out	\$ -	\$ -	\$ 169,006.80	\$ 169,006.80
Bank charges	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 169,006.80	\$ 169,006.80
Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)	\$ (670,033.27)	\$ (670,033.27)	\$ 1,611,271.70	\$ 2,281,304.97
Fund balances, beginning of year	\$ 670,033.27	\$ 670,033.27	\$ 670,033.27	\$ -
Fund balance, end of year	\$ -	\$ -	\$ 2,281,304.97	\$ 2,281,304.97

SUPPLEMENTAL INFORMATION

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number	Balance at July 1, 2020	Receipts	Expenditures	Balance at June 30, 2021
U.S. Department of Education						
2019-2020 Programs						
Title VI, Indian Education	84.060A	S060A190294	\$ (39,650.00)	\$ 39,650.00	\$ -	\$ -
2020-2021 Programs						
Title VI, Indian Education	84.060A	S060A200294	\$ -	\$ 37,596.00	\$ 36,193.51	\$ 1,402.49
Sub-Total U.S. Department of Education			\$ (39,650.00)	\$ 77,246.00	\$ 36,193.51	\$ 1,402.49
Passed-Through State Department of Education:						
2019-2020 Programs						
* IDEA-B Flow Through	84.027	N/A	\$ (122,487.66)	\$ 122,487.66	\$ -	\$ -
* IDEA-B Monitoring Assistance	84.027	N/A	\$ (6,284.79)	\$ 6,284.79	\$ -	\$ -
Sub-Total			\$ (128,772.45)	\$ 128,772.45	\$ -	\$ -
2020-2021 Programs						
* IDEA-B Flow Through	84.027	N/A	\$ -	\$ 660,883.28	\$ 673,445.27	\$ (12,561.99)
* Special Education, Professional Development	84.027	N/A	\$ -	\$ 540.00	\$ 540.00	\$ -
* IDEA-B Monitoring Assistance	84.027	N/A	\$ -	\$ 1,789.40	\$ 1,789.40	\$ -
* COVID 19 Sp Ed Assistance	84.027	N/A	\$ -	\$ 25,751.76	\$ 25,981.01	\$ (229.25)
* IDEA-B, Preschool	84.173	N/A	\$ -	\$ 13,300.95	\$ 13,300.95	\$ -
Sub-Total Special Education Cluster			\$ -	\$ 702,265.39	\$ 715,056.63	\$ (12,791.24)
2019-2020 Programs						
Title I, Basic	84.010	N/A	\$ (2,408.25)	\$ 2,408.25	\$ -	\$ -
Title I, School Improvement	84.010	N/A	\$ (40,147.57)	\$ 40,147.57	\$ -	\$ -
Title I, Supplement School Improvement Grant	84.377A	N/A	\$ (258,914.18)	\$ 258,914.18	\$ -	\$ -
Title II, Part A Training & Recruiting Fund	84.367	N/A	\$ (145,033.67)	\$ 145,033.67	\$ -	\$ -
Title IV, Part A Student Support Aid	84.424A	N/A	\$ (64,243.74)	\$ 64,243.74	\$ -	\$ -
Title III, English Language	84.365	N/A	\$ (70,270.44)	\$ 70,270.44	\$ -	\$ -
* COVID 19 CARES Act 2020-Coronavirus Aid, Relief, & Economic Security Act	84.425D	N/A	\$ (2,770.65)	\$ 2,770.65	\$ -	\$ -
Sub-Total			\$ (583,788.50)	\$ 583,788.50	\$ -	\$ -
2020-2021 Programs						
Title I, Basic	84.010	N/A	\$ -	\$ 1,559,884.02	\$ 1,559,884.02	\$ -
Title I, School Improvement	84.010	N/A	\$ -	\$ 74,498.11	\$ 100,188.66	\$ (25,690.55)
Title I, Supplement School Improvement Grant	84.377A	N/A	\$ -	\$ 686,117.51	\$ 888,700.93	\$ (202,583.42)
Title II, Part A Training & Recruiting Fund	84.367	N/A	\$ -	\$ 4,939.77	\$ 193,812.01	\$ (188,872.24)
Title IV, Part A Student Support Aid	84.424A	N/A	\$ -	\$ 16,797.99	\$ 110,272.62	\$ (93,474.63)
Title III, English Language	84.365	N/A	\$ -	\$ -	\$ 2,105.28	\$ (2,105.28)
* COVID 19 CARES Act 2020-Coronavirus Aid, Relief, & Economic Security Act	84.425D	N/A	\$ -	\$ 560,193.23	\$ 1,067,786.97	\$ (507,593.74)
Sub-Total Passed-Through State Department of Education			\$ (712,560.95)	\$ 4,317,256.97	\$ 4,637,807.12	\$ (1,033,111.10)

(continued)

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number	Balance at July 1, 2020	Receipts	Expenditures	Balance at June 30, 2021
Passed-Through State Department of Career and Technology Education:						
2019-2020 Programs						
Carl Perkins	84,048	N/A	\$ (15,869.00)	\$ 15,869.00	\$ -	\$ -
Sub-Total			\$ (15,869.00)	\$ 15,869.00	\$ -	\$ -
2020-2021 Programs						
Carl Perkins	84,048	N/A	\$ -	\$ -	\$ 12,631.92	\$ (12,631.92)
Sub-Total			\$ -	\$ -	\$ 12,631.92	\$ (12,631.92)
Sub-Total Passed-Through State Department of Career and Technology Education:						
			\$ (15,869.00)	\$ 15,869.00	\$ 12,631.92	\$ (12,631.92)
U. S. Department of Agriculture						
Passed-Through State Department of Education:						
Child Nutrition Cluster:						
Non-Cash Assistance (Commodities):						
* National School Lunch Program- Note 4	10,555	N/A	\$ -	\$ 91,299.01	\$ 91,299.01	\$ -
Non-Cash Assistance Sub-Total			\$ -	\$ 91,299.01	\$ 91,299.01	\$ -
Cash Assistance:						
* National School Lunch Program	10,555	N/A	\$ -	\$ 455,012.60	\$ 445,057.53	\$ 9,955.07
* School Breakfast Program	10,553	N/A	\$ 42,852.62	\$ 266,932.74	\$ 248,277.62	\$ 61,507.74
* Summer Food Service Program for Children	10,559	N/A	\$ 31,734.69	\$ -	\$ -	\$ 31,734.69
Cash Assistance Sub- Total			\$ 74,587.31	\$ 721,945.34	\$ 693,335.15	\$ 103,197.50
Sub-Total Child Nutrition Cluster			\$ 74,587.31	\$ 813,244.35	\$ 784,634.16	\$ 103,197.50
Child & Adult Care						
	10,558	N/A	\$ 13,096.42	\$ 240,045.87	\$ 224,361.65	\$ 28,780.64
Sub-Total for U.S. Department of Agriculture			\$ 87,683.73	\$ 1,053,290.22	\$ 1,008,995.81	\$ 131,978.14
Other Federal Assistance						
Passed-Through Bureau of Indian Education						
2020-2021 Programs						
Johnson O'Malley	15,130	N/A	\$ 12,428.41	\$ -	\$ 22,585.61	\$ (10,157.20)
Sub-Total Passed-Through Bureau of Indian Education			\$ 12,428.41	\$ -	\$ 22,585.61	\$ (10,157.20)
TOTAL FEDERAL ASSISTANCE			\$ (667,967.81)	\$ 5,463,662.19	\$ 5,718,213.97	\$ (922,519.59)
* Major program						

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2021**

Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The organization has not elected to use the 10% de minimis cost rate.

Non-Monetary Assistance

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Loan and Loan Guarantee Program Outstanding

The district had no loans or loan guarantee programs outstanding at June 30, 2021 as described in 2 CFR 200.502(b).

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance		Deposited	Net		Disbursed	Balance
	7-1-20			Transfers/ Adjustments			6-30-21
APPA (PROM)	\$ -	\$ -	-	-	\$ -	-	\$ -
Multi-Cultural	562.62	-	-	-	-	-	562.62
High School Yearbook	1,407.73	4,416.00	-	-	4,024.73	-	1,799.00
Middle School Girls Golf	100.34	-	-	-	-	-	100.34
Middle School Yearbook	1,273.77	220.00	-	-	1,200.00	-	293.77
Athletics	31,933.39	78.89	-	1,829.20	11,870.55	-	21,970.93
Bidder Plan Dep. Account	10.00	-	-	-	-	-	10.00
Suburban Conference	-	-	-	-	-	-	-
High School Wrestling	460.22	-	-	-	-	-	460.22
High School Football	2,299.35	-	-	239.70	-	-	2,539.05
High School Boys Basketball	90.35	-	-	85.00	-	-	175.35
H.S. Girls Basketball	144.79	-	-	-	-	-	144.79
H.S. Baseball	63.77	-	-	50.00	-	-	113.77
Cross Country Track	287.60	-	-	-	-	-	287.60
HS Tech Now Club	217.89	-	-	-	-	-	217.89
H.S. Key Club	1,769.70	-	-	-	-	-	1,769.70
High School Book Club	183.42	-	-	-	-	-	183.42
Reg. & Area Tournaments	-	-	-	-	-	-	-
Sr. High Band	103.00	-	-	-	-	-	103.00
Band	26,386.16	570.00	-	2,409.30	4,989.41	-	24,376.05
Academy	1,752.81	-	-	-	-	-	1,752.81
MS Student Store	508.22	-	-	-	-	-	508.22
High School Library	3,129.56	1,000.00	-	13.00	1,013.15	-	3,129.41
Middle School Library	94.27	20.00	-	-	-	-	114.27
H.S. Chorus Choir	3,592.09	573.75	-	86.29	474.29	-	3,777.84
WHSNA	-	-	-	-	-	-	-
Middle School Choir	3,392.92	30.00	-	-	-	-	3,422.92
Junior Class	4,222.09	-	-	151.16	1,373.25	-	3,000.00
Senior Class	918.05	6,302.12	-	3,496.30	8,694.10	-	2,022.37
BS Gifted and Talented	1,802.89	-	-	-	742.64	-	1,060.25
M.S. Choir Booster Club	91.89	-	-	-	-	-	91.89
WHHS Flower Fund	168.55	-	-	37.09	-	-	205.64
Lost Textbooks	-	80.00	-	-	-	80.00	-
High School Musical	8,429.63	-	-	-	-	-	8,429.63

(continued)

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance 7-1-20	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-21
Middle School PE	172.69	-	-	-	172.69
Middle School General Account	2,590.84	536.70	-	1,875.00	1,252.54
HS Student Council	3,902.21	-	818.16	-	4,720.37
Middle School Student Council	2,441.99	-	-	-	2,441.99
Middle School Social Studies	177.27	-	-	-	177.27
Coca Cola Scholarship	1,184.94	-	-	-	1,184.94
M.S. Drama	2,020.58	-	-	-	2,020.58
Council Grove Elementary	11,203.41	12.50	-	460.81	10,755.10
Take Down Club	-	-	-	-	-
Jet Stream	445.04	1,516.55	-	-	1,961.59
MS Boys Baseball	475.30	-	-	-	475.30
Middle School FHA	103.49	-	50.00	50.00	103.49
R.O.T.C.	31,500.96	30,224.83	1,800.00	22,277.31	41,248.48
Bridgestone Yearbook	-	140.00	-	-	140.00
Vending Activity	3,731.01	1,517.09	(2,171.32)	280.55	2,796.23
H.S. JETS	187.70	-	-	-	187.70
High School FCA Club	39.64	-	-	-	39.64
High School Art Club	711.07	-	-	-	711.07
Middle School Art Club	87.63	-	-	-	87.63
H.S. FCCLA	1,186.44	-	-	100.00	1,086.44
Coca Cola Security Fund	2,867.45	-	-	-	2,867.45
H.S. BPA	166.58	-	-	-	166.58
High School Testing Account	445.00	-	-	-	445.00
Winds West Elementary	13,297.28	959.40	243.73	1,212.13	13,288.28
Greenvale Coke Commissions	104.15	-	-	-	104.15
YMCA Youth Sports	45.00	-	-	-	45.00
HS Cheerleaders	2,932.12	109.15	300.00	561.84	2,779.43
M.S. Football	55.53	-	-	-	55.53
H.S. National Honor Society	105.56	50.00	-	129.25	26.31
MS National Honor Society	646.80	-	-	385.00	261.80

(continued)

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance		Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-21
	7-1-20					
High School Science	528.70	-	-	-	-	528.70
H.S. Foreign Language	244.75	-	-	-	-	244.75
H.S. Math Club	106.62	-	-	-	-	106.62
Greenvale Elementary	11,530.52	2,588.30	46.46	924.06	13,241.22	13,241.22
Cheerleader Boosters	30.26	-	-	-	-	30.26
John Glenn Special Olympics	548.45	-	-	-	-	548.45
WHIRE	3,358.76	-	489.62	-	-	3,848.38
M.S. Cheerleaders	832.40	-	-	-	-	832.40
H.S. Golf	483.06	-	-	-	-	483.06
50 Year Grad T-Shirts	-	-	-	-	-	-
Summer Health Insurance	6.14	-	-	-	-	6.14
Bridgestone Teacher Fund	160.48	-	87.06	-	-	247.54
Bus Barn	196.86	-	-	-	-	196.86
H.S. Comp Tech	372.80	-	-	-	-	372.80
H.S. Peer Tutoring Club	2,969.01	-	-	-	-	2,969.01
Miscellaneous-Admin	394.07	-	-	-	-	394.07
Bridgestone Library	554.59	-	237.44	-	-	792.03
Bridgestone School	6,019.47	1,200.82	-	866.55	6,353.74	6,353.74
Bridgestone Choir	5,351.34	-	-	-	-	5,351.34
Athletic Concessions	25,749.64	-	212.73	787.79	25,174.58	25,174.58
Bridgestone PE	2,515.46	-	90.00	-	-	2,605.46
H.S. Renaissance Account	87.07	-	-	-	-	87.07
HS Chess Club	21.81	-	-	-	-	21.81
Council Grove Teacher Fund	376.42	-	512.50	199.95	688.97	688.97
M.S. TSA	518.02	-	-	-	-	518.02
Sophomore Class	1,381.64	-	-	-	-	1,381.64
H.S. Academic Bowl	334.96	-	-	-	-	334.96
Title I	146.80	-	-	-	-	146.80

(continued)

WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance 7-1-20	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-21
Western Heights Chorus Assoc.	10,293.36	-	-	-	10,293.36
Western Heights Band Assoc.	-	-	-	-	-
Western Heights Homerun Club	1,283.35	-	-	-	1,283.35
Western Heights Lady Jets Softball	1,332.72	-	-	-	1,332.72
Grid Iron Club	201.58	-	-	-	201.58
H.S. Soccer Club	1,184.64	-	291.92	-	1,476.56
Indian Club	2,346.26	-	-	-	2,346.26
John Glenn Teachers Fund	1,003.23	-	-	727.50	275.73
Winds West Teachers Fund	1,154.38	-	-	-	1,154.38
Greenvale Teachers Fund	778.88	-	19.98	-	798.86
Council Grove Vending Account	179.62	-	-	-	179.62
M.S. Teachers Fund	14.87	2,500.00	-	507.25	2,007.62
Adm. Building Coffee Fund	1,155.34	-	-	-	1,155.34
H.S. General Act	2,451.35	2,082.00	-	3,118.79	1,414.56
H.S. Spanish Club	33.00	-	-	-	33.00
John Glenn Vending	195.67	-	-	-	195.67
Freshman Class	576.54	-	-	-	576.54
Louise Jay Memorial	84.24	-	-	-	84.24
Habitat Trail	1,366.24	-	-	-	1,366.24
M.S. Academic Bowl	149.25	-	-	-	149.25
Charitable Donation Fund	145.58	-	-	-	145.58
9th Grade Center Fund	2,433.50	1,000.00	-	-	3,433.50
MS Girls Basketball	706.25	-	-	-	706.25
M.S. Boys Basketball	580.83	-	-	-	580.83
MS Wrestling	355.79	-	-	-	355.79
MS Archery	94.55	-	-	-	94.55
HS/MS Softball	361.97	-	-	169.99	191.98
MS Boys Golf	74.88	-	-	-	74.88
HS PE	-	-	-	-	-
Youth & Government	59.00	-	-	-	59.00
MS Special Olympics	420.23	-	-	-	420.23
Bridgestone Sports	-	-	-	-	-
Deaf Education	20.00	-	-	-	20.00

(continued)

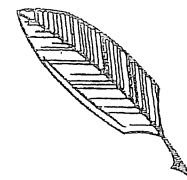
WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance 7-1-20	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-21
HS Drama	4,424.39	62.50	-	-	4,486.89
Exchange Club	2,255.31	-	-	-	2,255.31
Western Heights Alumni	2,032.26	-	685.00	-	2,717.26
HS Tennis	4,869.50	6,307.63	-	2,545.10	8,632.03
Summer Softball	39.02	-	-	-	39.02
Council Grove Library	2,971.72	18.00	-	617.93	2,371.79
CG Gifted and Talented	531.33	-	-	130.52	400.81
WW Gifted and Talented	1,047.67	-	-	148.32	899.35
WW Library	4,236.22	39.00	-	489.74	3,785.48
GV Gifted and Talented	535.19	-	-	129.89	405.30
GV Library	10,765.84	-	-	-	10,765.84
JG Library	26,086.61	-	-	1,418.83	24,667.78
JG Gifted and Talented	1,340.09	-	-	272.68	1,067.41
BSI Special ED	2,017.61	-	-	-	2,017.61
BSI National Honor Society	61.63	-	-	-	61.63
BSI Academic Team	-	-	-	-	-
Football/Thammavongsa	-	-	21.00	-	21.00
Elementary Sports	2,991.56	-	-	-	2,991.56
Greenvale PE	161.50	-	-	-	161.50
HS Piano	79.94	467.00	-	200.00	346.94
Pennock-James Nursery	30,480.94	2,167.06	-	-	32,648.00
Attendance Rewards	2,354.92	-	-	-	2,354.92
HS Girls Soccer	2,583.93	-	-	945.00	1,638.93
MS Girls Soccer	299.00	-	-	290.00	9.00
MS Boys Soccer	88.50	-	-	-	88.50
District Wide Coffee Fund	75.07	235.57	(3.00)	-	307.64
Devic Insurance	-	35,142.00	-	-	35,142.00
Steam Center	-	4,000.00	-	3,705.90	294.10
HS Softball	-	-	-	-	-
OFASA HS Steam Robotics Club	-	-	-	-	-
OFASA HS Stem Aeronautics Club	-	-	-	-	-
Love's Donations	-	-	-	-	-
Total Activities	\$ 407,732.75	\$ 20,000.00	\$ 12,128.32	\$ 83,622.32	\$ 20,000.00
		\$ 126,348.66			\$ 462,587.41

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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
Western Heights School District No. I-41
Oklahoma County, Oklahoma

I was engaged to 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, the accompanying fund type and account group financial statements-regulatory basis, within the combined financial statements of Western Heights School District No. I-41, Oklahoma County, Oklahoma (District), as listed in the Table of Contents, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated May 31, 2022, which 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. In addition, my report disclaims an opinion on such financial statements because the School District does not maintain adequate accounting records to provide sufficient information for the preparation of financial statements including the following:

- Of the employees tested, 22% of payroll expenditures tested were not supported by employment contracts or other authorization resulting in a potential error to the financial statements.
- Quarterly Internal Revenue payroll tax reports form 941's had not all been filed or provided to us, therefore unable to be audited.
- Bank reconciliations were not performed during the audit period.
- The District does not have information necessary to include a General Fixed Asset Account Group.
- The District made unsupported and undocumented journal entries restating the General Fund cash balance at June 30, 2020 by \$349,655.53.

Internal Control over Financial Reporting

In connection with my engagement to audit the financial statements of Western Heights School District No. I-41, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, I did identify certain deficiencies in internal control over financial reporting that I consider to be material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs under "Financial Statements Audit" as item 2021-I, 2021-II, 2021-V, 2021-IX, 2021-XV, 2021-XVI, 2021-XVII, 2021-XVIII, and 2021-XIX, I consider to be material weaknesses.


A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-I through 2021-XIX to be significant deficiencies.

Compliance and Other Matters

In connection with my engagement to audit the financial statements of Western Heights School District No. I-41, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Additionally, if the scope of my work had been sufficient to enable me to express opinions on the basic financial statements, other instances of non-compliance or other matters may have been identified and report herein. I noted certain immaterial instances of non-compliance or other matters that have reported to management in the "Schedule of Comments" included on page 51 of this audit report.

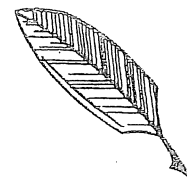
Purpose of this Report

This report is solely to describe the scope of my 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.


Kerry John Patten, C.P.A.
Broken Arrow, Oklahoma
May 31, 2022

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Board of Education
Western Heights School District No. I-41
Oklahoma County, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of Western Heights School District No. I-41, Oklahoma County, Oklahoma (District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits continued 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I 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 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 I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Basis for Adverse Opinion on Child Nutrition Cluster (CFDA# 10.555, 10.553 & 10.559) and ESSER/CARES Act (CFDA#84.425)

As described in the accompanying Schedule of Findings and Questioned Costs, Western Heights School District No. I-41, Oklahoma County, Oklahoma did not comply with requirements regarding Child Nutrition Cluster (CFDA #10.555, 10.553 & 10.559) described in finding number 2021 C-1 for Special Testing provisions, ESSER/CARES Act (CFDA #84.425D) as described in finding number 2021 C-2 for Allowable Cost.

Adverse Opinion on Child Nutrition Cluster (CFDA#10.555, 10.553 & 10.559) and ESSERF/CARES Act (CFDA #84.425D)

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Western Heights School District No. I-41, Oklahoma County, Oklahoma did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster (CFDA #10.555, 10.553 & 10.559) and ESSERF/CARES Act (CFDA # 84.425D) for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In my opinion, Western Height School District No. I-41, Oklahoma County, Oklahoma complied, in all material respects, with the type of compliance requirement referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Western Heights School District No. I-41, Oklahoma County, Oklahoma (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 my audit of compliance, I 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 Uniform Guidance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as discussed below, I did identify certain deficiencies in internal control over compliance that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program, on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on, a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-I, 2021-II, 2021-V, 2021-IX, 2021-XV, 2021-XVI, 2021-XVII, 2021-XVIII, and 2021-XIX, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, as 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. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-I, 2021-II, 2021-III, 2021-IV, 2021-V, 2021-VI, 2021-VII, 2021-VIII, 2021-IX, 2021-X, 2021-XI, 2021-XII, 2021-XIII, 2021-XIV, 2021-XV, 2021-XVI, 2021-XVII, 2021-XVIII, and 2021-XIX to be significant deficiencies.

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

A handwritten signature in black ink, appearing to read "Kerry John Patten". The signature is fluid and cursive, with a large loop at the end.

Kerry John Patten, C.P.A.
Broken Arrow, Oklahoma
May 31, 2022

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a disclaimed opinion on the combined financial statement on the regulatory basis of accounting prescribed by the Oklahoma Department of Education.
2. There were nineteen audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards. There were nine material weaknesses reported.
3. No instances of noncompliance material to the financial statements of Western Heights School District were disclosed in the audit.
4. There were nineteen audit findings reported of deficiencies in internal control over Major Federal Programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A. standards. There were nine material weaknesses reported.
5. The auditor's report on compliance for the Major Federal award programs for Western Heights School District expresses an adverse opinion on the Child Nutrition Cluster: Lunch (10.555), Breakfast (10.553), Summer Food Service Program for Children (10.559), and Commodities (10.555), and ESSER CARES-COVID 19 Coronavirus Aid, Relief, & Economic Security Act (84.425D), and an unmodified opinion on the other major federal programs.
6. There were two audit findings relative to Major Federal award programs for Western Heights School District that were required to be reported by Uniform Guidance.
7. The programs tested as Major Federal Programs included: COVID 19-CARES Act 2020 Coronavirus Aid, Relief, & Economic Security Act (84.425D), Special Education Cluster: IDEA-B Flow Through, Special Education Professional Development, IDEA-B Monitoring Assistance, COVID 19-Sp Ed Assistance (84.027) and Preschool (84.173) and Child Nutrition Cluster: Lunch (10.555), Breakfast (10.553), Summer Food Service Program for Children (10.559), and Commodities (10.555).
8. A threshold for distinguishing Types A and B programs was \$750,000.00.
9. Western Heights School District did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2021-I.

Condition: Other than the Superintendent, no employees selected for payroll testing had a payroll contract for the 2020-2021 school year. It was reported that the District was unable to come to successful negotiations, therefore no contracts nor negotiated agreements were prepared or approved.

Criteria: Internal controls should be in place that provide reasonable assurance that any employee paid has a board approved contract. Any amounts paid in excess of contracts should be board approved on an extra duty contract or with a timesheet signed by the employee and supervisor and paid a board approved rate of pay.

Effect: Because of the failure in internal controls, employees may be paid amounts without the approval or knowledge of the Board of Education.

Recommendation: We recommend that the school district implement procedures to ensure that all employees paid by the District have a contract and amounts paid to employees reconcile to the board approved contract. We recommend that management periodically review payroll records to ensure employees are being paid correct amounts based on contracted amount and that any amounts paid in excess of contracted amount is done only with proper documentation and approval.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-II.

Condition: Internal controls surrounding the District's payroll procedures did not provide reasonable assurance that employees are being paid in accordance with District contracts and Board approval. As referenced in condition I, other than the Superintendent, no employees selected for payroll testing had a payroll contract for the 2020-2021 school year. It was reported that the contracts prepared and approved for 2019-2020 were used to process payroll for 2020-2021. The following conditions are applicable to the testing of payroll for the 2020-2021 school year, using the 2019-2020 contract amounts.

- Five employees selected for payroll testing did not have contracts available for auditor review from the 2019-2020 school year.
- One employee had a contract not signed by the Board of Education President.
- Three child nutrition employees were employed with the District through December 2021, when they terminated employment with the District to be employed by the outsourced food service providers of the District. We were unable to determine the amounts paid were accurate based upon the lack of information provided.
- Ten employees were overpaid in amounts listed below:
 - One employee was overpaid by \$20,763.94.
 - One employee was overpaid by \$5,329.72.
 - One employee was overpaid by \$23,000.00.
 - One employee was overpaid by \$16,597.18.
 - One employee was overpaid by \$6,109.43.
 - One employee was overpaid by \$7,725.80.
 - One employee was overpaid by \$1,141.15.
 - One employee was overpaid by \$2,621.65.
 - One employee was overpaid by \$2,895.39.
 - One employee was overpaid by \$31,827.66.
- Two employees were underpaid, one by \$5,026.54 and another by \$48,900.19.

Criteria: Internal controls should be in place that provide reasonable assurance that any employee paid has a board approved contract. Any amounts paid in excess of contracts should be board approved on an extra duty contract or with a timesheet signed by the employee and supervisor and paid a board approved rate of pay.

Effect: Because of the failure in internal controls, employees may be paid amounts without the approval or knowledge of the Board of Education.

Recommendation: We recommend that the school district implement procedures to ensure that all employees paid by the District have a contract and amounts paid to employees reconcile to the board approved contract. We recommend that management periodically review payroll records to ensure employees are being paid correct amounts based on contracted amount and that any amounts paid in excess of contracted amount is done only with proper documentation and approval. Additionally, we recommend that the District react swiftly in an effort to recoup known overpayments to employees identified

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-III.

Condition: The Superintendent was paid \$25,000.00 on June 30, 2021 according to a provision in his contract that states, 'In order to receive an annual incentive stipend, Superintendent's final summative evaluation score for that fiscal year must be "effective" as defined by the evaluation tool scoring.' We were unable to be provided with any document stating that this criteria was met for the stipend to be paid. We were provided with board member evaluations. Only 1 of the 5 evaluations viewed were signed by a board member, there was not a summative evaluation for any single evaluation and/or the collection evaluations and 'effective' was not listed on the evaluation as a choice.

Criteria: Internal controls should be in place that provide reasonable assurance that any employee paid has a board approved contract and is paid in accordance with the contract. If the contract has a measurement that is required to be met to validate payment, documentation that the measurement has been achieved should be available and/or board approval of the specific measurement approved in the board minutes.

Effect: Because of the failure in internal controls, employees may be paid amounts without the approval or knowledge of the Board of Education.

Recommendation: We recommend that the school district implement procedures to ensure that all employees paid by the District have a contract and amounts paid to employees reconcile to the board approved contract. We recommend that the board included approval of any payments based on a measurable action. We recommend that management periodically review payroll records to ensure employees are being paid correct amounts based on contracted amount and that any amounts paid in excess of contracted amount is done only with proper documentation and approval.

2021-IV.

Condition: Payroll deductions and/or employee benefits were not reconciled to employee pay records. There were several instances where employee deductions were not paid to the receiving entity in a timely manner. In other instances, the District was paying benefits for employees who were no longer employed by the District.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll benefits and deductions are being reconciled each payroll period, that all deductions are being paid timely on behalf of the employee to the specified entity and that any benefits paid are being paid only to employees approved to receive benefit and currently employed by the District.

Effect: Because of the failure in internal controls, employees may have deductions from payroll not being paid timely to the specified entity. The District may also be paying benefits incorrectly for employees not eligible and may not be paying benefits for all eligible employees.

Recommendation: We recommend that the school district implement procedures to ensure that all benefits and deductions are reconciled each payroll period. Furthermore, that a supervisor of the payroll clerk is approving the monthly reconciliations.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-V.

Condition: Quarterly tax reports are not being filed timely. During our audit period we requested to view all 941s. Both the 1st and 2nd quarter of 2021 were unable to be provided to us. It was reported that as of the report release date the 2nd quarter 941 had not been filed.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll quarterly reports are being prepared and filed in a timely manner.

Effect: Because of the failure in internal controls, the District may incur penalties and interest for failure to fail the required reports.

Recommendation: We recommend that the school district implement procedures to ensure that all quarterly reports are being prepared and filed in a timely manner. Additionally, that an administrator of the District is reviewing and approving the filing to ensure accuracy.

2021-VI.

Condition: The School District purchasing policy and procedures requires three (3) quotations be obtained by phone, catalog, or verbal from vendors for any prospective purchase which is likely to exceed \$25,000.00. Sealed quotations shall be required on any single expenditure for goods, equipment or supplies that total \$5,000.00 or greater.

Context: From a sample selection of forty-two (42) General Fund purchase orders, we determined nine (9) purchases totaling \$1,159,401.79 which were not purchased in accordance with the School Board's own purchasing policies.

Cause: It does not appear that there is discipline in the organization that calls the importance of good control habits and practices to the attention of all employees on a continuing basis.

Potential Effect: We questioned nine (9) purchases totaling \$1,159,401.79 which did not have documentation to demonstrate the District obtained the best possible price.

Recommendation: We recommend that policy and procedures be developed to strengthen internal controls over purchasing and procurement. Furthermore, the internal control system should be monitored by an extensive program oversight by School administration.

2021-VII.

Condition: The School District did not have documented policies relating to Federal programs procurement procedures required by federal law (Uniform Guidance standards).

Criteria: Every nonfederal entity receiving federal awards must have documented procurement procedures that reflect Uniform Guidance regulations. As set for in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.

Among other requirements, Uniform Guidance allows five methods of procurement. These include Micro purchases; Small purchases; sealed bids (formal advertising); competitive proposals and Noncompetitive proposals

Effect: Lack of procurement standards increase the possibility of not focusing on the most economical solution and allows the use of federal funds to acquire unnecessary or duplicative items.

Recommendation: I recommend the School District review and consider the "General Procurement Standards" as set forth in the Uniform Guidance of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 (Uniform Guidance) and document and implement policies that provide procurement standards which conform to applicable Federal law for procuring property and services.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-VIII.

Condition: General Fund purchase order number 288 to Mutual of Omaha in the amount of \$8,031.13 for payment of life insurance and disability insurance for the month of September 2020 included payment for several employees which had once worked at the school district but were no longer employed for September 2020. The life insurance premiums were not reconciled to any employee roster, therefore terminated employees were never deleted from the premium invoice. There were also several employees who were current employees and qualified for the insurance but had never been added to the premium invoice list.

Criteria: Internal controls should be in place that provide reasonable assurance that terminated employees are deleted from the life insurance invoice and eligible employees are added.

Effect: Lack of proper internal controls over reconciliation of insurance premiums to eligible employee's roster caused the District to pay premiums on employee who no longer worked for the District as well as failure to pay premiums on some employees which were entitled to participation.

Recommendation: I recommend the School District Board of Education and administration implement policies and procedures ensuring monthly reconciliation of the life insurance premiums to current employee rosters. Any deviations should be immediately investigated.

2021-IX.

Condition: The School District maintains separate bank accounts for payroll taxes and Teachers Retirement contributions. Each payroll period federal and state tax liabilities are deposited into the payroll tax account and Teachers Retirement contributions and fees are deposited to the Teachers Retirement bank account. The funds for payroll tax liabilities and Teacher Retirement contributions are deposited into the respective bank accounts and subsequently electronically transferred to the Internal Revenue Service, Oklahoma State Tax Commission and to the Oklahoma Teachers Retirement System. My audit found nothing to demonstrate that either of these bank accounts had been reconciled to applicable School District payroll or financial records during fiscal year 2020-21 (This situation also resulted in a deficiency in the 2019-20 audit.)

At June 30, 2021 there were unreconciled and undesignated funds in both bank accounts.

Criteria: Internal Controls should be in place to ensure that income taxes and other deductions are calculated properly and deposited timely. All quarterly and year end reports should be filed with the appropriate entities timely and accurately.

Effect: Lack of proper internal controls result in improper filing of required tax and retirement reports which results in penalties which could be avoided. Failure to require proper reconciliation oversight and approval of bank reconciling may cause recording errors and other problems that could occur and not be detected.

Recommendation: I recommend the School District Board of Education and School Administration implement policies and procedures to ensure bank reconciliations are prepared on all bank accounts and proper oversight is provided over the employee preparing the bank reconciliation.

Additionally, payroll taxes and other deductions should be calculated accurately, reconciled to disbursement records, and paid timely.

Transfers from the School District operating bank account to the tax and Retirement bank accounts should be reviewed approved by District personnel who accepts responsibility for their completeness and accuracy.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-X.

Condition: Out of fifty-nine purchase orders reviewed, sixteen purchase orders totaling \$280,638.97 were supported with invoices dated prior to the purchase order date.

Criteria: State statutes requires the School Encumbrance Clerk to properly encumber all purchase and charge the affected appropriation account at the time, or prior to, ordering the good or services. The purchase order will evidence the encumbrance.

Effect: Failure to properly encumber purchases could result in budget overspending and violation of laws prohibiting exceeding appropriations.

Recommendation: The Board of Education should prescribe adequate business procedure and control which govern the purchase of confirmation of purchase and delivery of goods and services. Encumbrance and/or purchase order should be issued prior to the purchase of the requested item.

2021-XI.

Condition: General Fund purchase order number 398 to Employees Group Insurance in the amount of \$10,817.67 was to pay for employee insurance obligations incurred during the previous fiscal year that should have been paid in fiscal year 2019-20, however, due to numerous payroll errors, the premiums were not paid until fiscal year 2020-21. We could not determine if proper adjustments were made on these employee's payroll records.

Criteria: Internal controls should be in place that provide reasonable assurance that all employees withholding are properly reconciled each payroll period and checks remitted to the appropriate third-party vendor.

Effect: Because of the failure in internal controls, employees could be incorrectly paid or possible loss of any employee benefits for which the withholding was made.

Recommendation: I recommend that the School Board and administration implement procedures to ensure that all employees withholdings are remitted to third party vendors promptly.

2021-XII.

Condition: General Fund purchase orders #332 through #350 were expenditures to various school employees representing refunds for Met Life Insurance premiums which had been deducted from the employee's gross wages in the fiscal year 2019-20 but never paid from the school to the insurance company. These purchase orders were for nineteen employees and totaled \$10,730.94. The refunds resulted from lack of internal controls.

Criteria: Internal controls should be in place that provide reasonable assurance that all employees withholding are properly reconciled each payroll period and checks remitted to the appropriate third party vendor.

Effect: Because of the failure in internal controls, employees could be incorrectly paid or possible loss of any employee benefits for which the withholding was made.

Recommendation: I recommend that the School Board and administration implement procedures to ensure that all employees withholdings are remitted to third party vendors promptly.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021.**

2021-XIII.

Condition: Lack of internal controls surrounding federal program revenue and expenditure coding and reporting allowed for errors to occur within the coding and reporting process as follows:

- Project 563 – Johnson O'Malley
 - Revenue was incorrectly posted to project. Revenue should have been posted to Indian Education.
- Project 561 – Indian Education
 - Revenue was incorrectly posted as local miscellaneous revenue.
 - Revenue in the amount of \$1,402.49 was drawn down without supporting expenditures.
- Project 617 – COVID-19, Special Education
 - Expenditures were coded in excess of approved budget amount in the amount of \$230.00.
- Project 621 – IDEA-B, Flow Through
 - Expenditures were coded in excess of approved budget amount in the amount of \$1,356.25.
- Project 421 – Carl Perkins
 - The District had allowable expenditures of \$48,711.90 during FY21 that were not claimed during the allowable time period. In a subsequent audit period, a portion of the claim was allowed for reimbursement.

Criteria: Internal Controls surrounding procedure and process of federal programs should be in place to assure revenues recorded and expenditures incurred reconcile to all federal programs. Federal claims should reconcile to amounts coded and be made both timely and accurately.

Effect: Due to the lack of Internal Controls, the District did not have accurate records depicting the revenue and expenditures reported and coded to each federal program. Federal program revenue was forfeited due to claims not being made in a timely manner.

Recommendation: We recommend the District implement internal control procedures to ensure processes are being followed to verify revenue and expenditure coding for all federal programs is accurate and claims are for federal claims are correct prior to the closing of the school year.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-XIV.

Condition: During the review of items purchased from Federal awards, I found the District had purchased 4 Generators using CARES Act 2020 project 788 funds. The generators were in various locations throughout the grounds. These generators did not show an inventory tag any indication where the funding came from that was used for the purchase of the generators. We did not see any inventory list during our audit visit.

Criteria: Internal Controls should be in place to assure reasonable assurance the management of equipment procedures are followed.

Effect: Due to the failure of internal controls increase the possibility the Uniform Guidance requirements of items purchased with federal funds are not in compliance or being followed.

Recommendations: I recommend the District improve internal controls to adhere to the requirements of the Uniform Guidance when Federal Funds are expended on the campus. Procedures for managing equipment, whether acquired in whole or in part under a federal award, until disposition takes place will, as a minimum, meet the following requirements:

- Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project cost for the Federal award under which the property was acquired, the location, use and condition of the property and any ultimate disposition data including the date of disposal and sale price of the property.
- A physical Inventory of the property must be taken, and the results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage or theft must be investigated.

2021-XV.

Condition: The School Board and district administration officials did not have a process to track the resolution of significant findings and recommendations from previous audits. This resulted in uncorrected and repeated findings from previous years.

Criteria: Auditee management is responsible for resolving audit findings and recommendations and having a process to track their status can help fulfill this responsibility.

Effect: Findings and recommendations left unresolved can result in potential misstatements in future financial statement, increase the possibility of irregularities and illegal acts accruing and not being detected, and does not foster control consciousness within the organization.

Recommendation: I recommend that the District Board of Education and administration take prompt action to resolve all audit findings and have a process to track the status of each in order to assure effective resolution.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-XVI.

Condition: The District could not demonstrate that it performed a reconciliation of cash, investments, warrants outstanding, revenues, and expenditures to the bank records each month.

Criteria: Bank reconciliations are one of the primary internal controls used in the detection of errors or irregularities, therefore their timely preparation is critical to an effective internal control structure

Effect: The internal control deficiencies placed the District at risk for material misstatements in its annual financial statements. The condition could result in possibility of undetected errors and irregularities.

Recommendation: I recommend that the District:

- Provide additional training and oversight to staff responsible for accounting and financial reporting.
- Establish and follow written policies and procedures on the responsibilities and expectations related to the authorization, documentation, timeliness, and review of financial records, journal entries and annual financial statements.
- Establish a reconciliation process to ensure all School District activity is recorded accurately in district records and reports.
- Management need to emphasize the importance of control and establish discipline in the organization that calls the importance of good control habits and practices to the attention of all employees on a continuing basis.

2021-XVII.

Condition: I identified the following deficiency in internal controls over the financial reporting. The District did not have an adequate review process over its financial reporting to ensure the financial information appeared accurate, complete and in compliance with reporting guidance.

Criteria: Due to lack of appropriate policies, oversight procedures were not sufficient to detect and prevent deficiencies in internal control.

Effect: The internal control deficiencies placed the District at risk for material misstatements in its annual financial statements. The condition could result in possibility of undetected errors and irregularities.

Recommendation: I recommend that the District:

- Provide additional training and oversight to staff responsible for accounting and financial reporting.
- Establish and follow written policies and procedures on the responsibilities and expectations related to the authorization, documentation, timeliness, and review of financial records, journal entries and annual financial statements.
- Establish a reconciliation process to ensure all School District activity is recorded accurately in district records and reports.
- Management need to emphasize the importance of control and establish discipline in the organization that calls the importance of good control habits and practices to the attention of all employees on a continuing basis.

(continued)

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

2021-XVIII.

Condition: Information reported to the State Department of Education O.C.A.S. reporting site did not agree with the District's records and source documents. It appeared that O.C.A.S. information reported had been manipulated to agree to Financial Information reported on the District's Estimate of Needs..

Criteria: Due to lack of appropriate policies, oversight procedures were not sufficient to detect and prevent deficiencies in internal control.

Effect: The internal control deficiencies placed the District at risk for material misstatements in its annual financial statements. The condition could result in possibility of undetected errors and irregularities.

Recommendation: I recommend the District:

- Provide additional training and oversight to staff responsible for accounting and financial reporting.
- Establish and follow written policies and procedures on the responsibilities and expectations related to the authorization, documentation, timeliness, and review of financial records, journal entries and annual financial statements.
- Establish a reconciliation process to ensure all School District activity is recorded accurately in district records and reports.
- Management need to emphasize the importance of control and establish discipline in the organization that calls the importance of good control habits and practices to the attention of all employees on a continuing basis.

2021-XIX.

Condition: Journal entities were made to the District's account software during the 2020-21 fiscal year which were not supported with source documents, supporting calculations, and/or items necessary to substantiate the accuracy and appropriateness of a journal entry. Additionally, the District has no requirement that journal entries be reviewed and approved by someone other than the individual making the journal entry.

Criteria: Internal controls should be in place which require that all journal entries made to the financial account software have clear and concise descriptions and supported with proper documentation providing adequate detail to ensure a transaction is accurate and reasonable.

Effect: Lack of controls over journal entries increases the possibility of misstated financial information:

Recommendation: The District should implement policy and procedures to ensure that all journal entries to the financial accounting system are clearly documented; supported by applicable source documents; reviewed and approved by an appropriate member of management at a level above the individual making the journal entry.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding: # 2021C-1
CFDA: # 10.555; 10.553
Federal Title: Child Nutrition Cluster
Federal Agency: Department of Agriculture
Program Year: 2020-2021
Compliance Requirement: Special Test
Type of Finding: Material and Noncompliance

Condition: The School District failed to document the amount of meals served compared to the claims made and reimbursed for the Seamless Summer Option Program.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause: Lack of proper internal controls.

Effect: Due to the lack of proper internal controls results in claims being issued and paid for incorrect amounts.

Question Cost: Unknown

Recommendation: I recommend the School District Board of Education and School Administration implement policies and procedures to ensure oversight to the Child Nutrition program. Every claim filed for reimbursement should have proper and accurate documentation supporting the amounts of claims made to the Oklahoma State Department of Education-Nation School Lunch Program.

Finding: # 2021C-2
CFDA: # 84.425D
Federal Title: ESSERF/CARES Act 2019 COVID-19
Federal Agency: Department of Education
Program Year: 2020-2021
Compliance Requirement: Allowable Cost
Type of Finding: Material and Noncompliance

Condition: During the audit period, the School District purchased generators for various school sites and new furniture for the new STEAM Center.

It did not appear that expenditures for school site generators or new furniture for the new building were allowable cost as the expenditures did not meet any of the twelve categories of ESSERF/CARES Act funds COVID -19 related expenditures.

Criteria: In May of 2020, the Oklahoma State Department of Education advised Oklahoma School District's of twelve (12) categories of COVID-19 related expenditures. The school district should have internal controls necessary to ensure compliance that ESSERF/CARES Act funds were expended for allowable COVID-19 related expenditures.

Cause: The District did not have internal controls in place to ensure compliance with federal program guidelines.

Effect: The District was in violation of the compliance requirement of allowable cost of the program. This could result in the disallowance of cost already reimbursed.

Question Cost: The total of the generators and furniture was \$494,681.00.

Recommendation: I recommend the School District monitor all federal program expenditures to ensure strict compliance with federal program requirements.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2020 TO JUNE 30, 2021**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

Finding 2020-1

Condition: At June 30, 2020 the District's accounting records were not properly reconciled with subsidiary records or school district bank accounts. The District treasurer had made numerous adjusting entries to the District's books in order to attempt to balance with bank records. These entries were made in lieu of clearing individual warrants/checks the way the software system is designed to work. Many checks cleared by adjusting entry were done in batches and in several instances checks were cleared twice.

Recommendation: Procedures be implemented to ensure Internal controls be in place that provide reasonable assurance that bank reconciliations are being completed accurately, timely and they reflect the true financial position of the school district. Procedures should also be in place to provide proper oversight over the employee preparing the bank statements and reconciliations.

Current Status: The condition was not corrected during the FY2020-21. Similar findings were noted in the 2021 audit.

**WESTERN HEIGHTS SCHOOL DISTRICT NO. I-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2020 TO JUNE 30, 2021**

The following conditions, while not representing material weaknesses in the system of internal accounting control, represent areas noted during my review of the school's accounting system in which I feel improvements in the internal control and/or operational efficiency may be attained. I have also noted, as required, any noncompliance with State Department of Education Regulations.

- I. **Condition:** It appears that General Fund blanket purchase order #7 for payment of legal services includes a duplicate payment in the amount of \$7,452.14. This amount had previously been paid on March 16, 2020 via warrant #2970.

Criteria: Internal controls should be in place that provide reasonable assurance that invoice review processes are followed by district personnel, including establishing an internal control monitor to review payments for appropriateness.

Effect: Because of the failure of internal controls increase the possibility of duplicate payments on the same invoice, incorrect amounts being paid by the school and corrective action not being taken.

Recommendation: I recommend improved internal controls to prevent these types of errors, as well as initiation of corrective actions to recovery the amount overpaid.

I would like to express my appreciation for the courtesies and cooperation extended to us by school district administrators and employees during the course of this audit.

WESTERN HEIGHTS SCHOOL DISTRICT NO. 1-41
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2020 TO JUNE 30, 2021

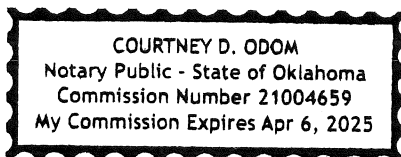
State of Oklahoma }
County of Tulsa }

The undersigned auditing firm 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 Western Heights School District for the audit year 2020-21.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY *Kerry John Patten*

AUTHORIZED AGENT



Subscribed and sworn to before me on this

31st day of May, 2022

Courtney D. Odom

NOTARY PUBLIC

My commission expires on:

6th day of April, 2025