

# Tecumseh Public Schools Financial Audits (2010-2023)

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

This briefing document summarizes the key themes, important ideas, and facts identified in the annual financial audit reports of Tecumseh Public Schools District No. I-92 from June 30, 2011, to June 30, 2023. The reports, conducted by the State Auditor, provide an overview of the District's financial position, activities, and compliance with relevant regulations.

## 1. Reporting Entity and Governance:

**Governing Body:** The Tecumseh Public Schools are governed by an elected Board of Education.

**Executive Officer:** The appointed superintendent serves as the executive officer of the District.

**Component Units:** Across all the reviewed years, management consistently determined that there were no potential component units that should be included in the District's reporting entity. This decision is based on criteria established by the Governmental Accounting Standards Board (GASB), primarily focusing on the governing body's ability to exercise oversight responsibility, particularly financial interdependency. Other factors considered include the selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The scope of public service and the existence of special financing relationships are also evaluated. The reports state, for example, in 2011, "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." This statement is reiterated in substantially the same form in subsequent years.

## 2. Basis of Accounting:

**Regulatory (Statutory) Basis:** The District consistently prepares its financial statements using the Regulatory (Statutory) basis of accounting, which differs from Generally Accepted Accounting Principles (GAAP). This basis focuses on when revenues are received and expenditures are encumbered or reserved.

**Revenue Recognition:** Revenues from all sources, including property taxes, entitlements, grants, and shared revenues, are recognized when they are received, rather than when earned. As stated in the 2010-2011 report, "All revenues from all sources... are recognized when they are received, rather than earned." This practice continues throughout the audited periods.

**Expenditure Recognition:** Expenditures are generally recognized when they are encumbered or reserved, not necessarily when the related liability is incurred. The 2010-2011 report notes, "Expenditures are generally recognized when encumbered or reserved, rather than at the time the related liability is incurred."

**Unmatured Interest and Compensated Absences:** Unmatured interest for debt service is recognized when due. Vested or accumulated vacation leave expected to be liquidated with

# Tecumseh Public Schools Financial Audits (2010-2023)

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

expendable financial resources is reported as an expenditure and a fund liability. Non-vesting sick leave is generally not recorded as a liability of governmental funds.

### 3. Fund Accounting:

**Governmental Funds:** The District utilizes governmental funds to account for most of its general activities. These include the General Fund (unrestricted resources), Special Revenue Funds (earmarked monies), Debt Service Funds (servicing long-term debt), and Capital Project Funds (acquisition or construction of assets).

**Proprietary and Fiduciary Funds:** While the primary focus is on governmental funds, the reports mention that funds are classified into governmental, proprietary, and fiduciary categories. However, the proprietary funds do not appear to hold significant balances in the presented excerpts. Fiduciary funds, such as trust and agency funds, are present in the later years' combined financial statements.

**Account Groups:** The reports mention the use of account groups, specifically the General Long-Term Debt Account Group, which is used to track long-term obligations not recorded directly in the governmental funds. Notably, the District consistently states that it does not maintain a record of its general fixed assets and therefore does not include a General Fixed Asset Account Group in its financial statements. The 2011-2012 report explicitly states, "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." This lack of a fixed asset record is a recurring point throughout the reports.

### 4. Cash and Investments:

**Deposit Security:** Collateral is required for demand deposits and certificates of deposit exceeding federal deposit insurance limits, as per state statutes.

**Permissible Investments:** Permissible investments are governed by state law and include direct obligations of the U.S. Government, obligations of the State, and collateralized certificates of deposit. The 2010-2011 report lists these permissible investments.

**Interest Rate and Credit Risk:** The District's investment strategy involves holding instruments until maturity. However, across all reviewed years, the District reports having no formal written policies addressing interest rate risk or credit risk.

**Low Investment Risk:** Consistently, the District reports having no investments that are not guaranteed by the full faith and credit of the United States Government.

# Tecumseh Public Schools Financial Audits (2010-2023)

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

## 5. General Long-Term Debt:

**Voter Approval:** State statutes prohibit the District from incurring debt exceeding the revenue to be received in a fiscal year without voter approval.

**Bond Issuance:** Voter-approved bond issues have been used for various capital improvements.

**Repayment Terms:** Bonds are required to be fully paid serially within 25 years from the date of issue.

**Capital Leases:** In later years, the District also enters into capital lease agreements, which are also recorded as long-term debt. The notes to the financial statements in the 2015-2016 report mention, "General long-term debt of the District includes General Obligation Bonds and Capital Leases."

**Debt Schedules:** The reports include schedules detailing the outstanding bond issues, interest rates, maturity dates, and annual debt service requirements (principal and interest payments). These schedules provide a clear picture of the District's long-term debt obligations and their repayment timelines.

## 6. Contingent Liabilities:

**Federal Grants:** The District receives significant financial assistance from the U.S. government in the form of grants.

**Compliance Audits:** These grants are subject to financial and compliance audits by the grantors. Disallowances resulting from these audits could become a liability of the District.

**No Material Liabilities Expected:** The District consistently estimates that no material liabilities will result from these grant audits. The 2010-2011 report states, "The District estimates that no material liabilities will result from such audits." This estimation is repeated in subsequent reports.

## 7. Financial Position Trends (Based on Available Data):

While a comprehensive trend analysis would require examining the full financial statements, the provided excerpts offer some insights:

**Cash Balances:** Cash balances in the Governmental Fund Types fluctuate over the years.

**Long-Term Debt:** The presence of "Bonds payable" in the liabilities section indicates ongoing long-term debt. The specific amounts change annually, reflecting principal payments and potentially new issuances.

**Fund Balances:** Fund balances in the General, Special Revenue, and Debt Service funds also vary from year to year, indicating the financial health and reserves within these specific fund categories.

## Tecumseh Public Schools Financial Audits (2010-2023)

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

**Capital Projects:** The "Designated for capital projects" line in fund balances suggests the District sets aside funds for capital improvements. The amounts designated fluctuate depending on project needs and funding availability.

### 8. Emphasis on Regulatory Basis and Lack of GAAP Reporting:

The auditor consistently issues a "Qualified Opinion on Regulatory Basis of Accounting," noting that the financial statements are presented on a regulatory basis prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than generally accepted accounting principles.

The auditor highlights that the presentation differences resulting from this basis include the omission of the general fixed asset account group and potentially other departures from GAAP. This is evident in the 2012-2013 report's "Basis for Qualified Opinion on Regulatory Basis of Accounting" section, which states that the financial statements "do not include the fixed asset account group, which should be included to conform with the accounting prescribed or permitted by the Oklahoma State Department of Education."

### 9. Schedule of Expenditures of Federal Awards (SEFA):

The reports include a Schedule of Expenditures of Federal Awards, which details the federal grants received and expended by the District.

These schedules list the name of the federal program, grantor agency, pass-through entity (if applicable), federal CFDA number, and the amount of expenditures.

The SEFA is subject to separate compliance testing as part of the audit, particularly in later years following the implementation of the Uniform Guidance.

### 10. Internal Control and Compliance:

In the later audit reports (post-2015), there are separate sections addressing internal control over financial reporting and compliance with laws, regulations, contracts, and grants.

Reports on compliance for each major federal program are also included, as required by the Uniform Guidance.

Schedules of findings and questioned costs, as well as summaries of prior audit findings, are presented in these later reports, indicating any identified weaknesses in internal control or instances of non-compliance. For example, the 2016-2017 report includes sections for "Report on Internal Control over Financial Reporting and on Compliance" and "Report on Compliance for Each Major Federal Program."

# Tecumseh Public Schools Financial Audits (2010-2023)

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

## **11. Subsequent Events:**

Some reports include information about subsequent events, such as the issuance of new debt after the fiscal year-end. The 2012-2013 report mentions a "Subsequent Event" regarding the issuance of General Obligation Building Bonds in August 2013.

## **Conclusion:**

The audit reports consistently highlight that Tecumseh Public Schools adheres to the Regulatory (Statutory) basis of accounting as prescribed by the Oklahoma State Department of Education. Key aspects consistently reported include the governance structure, the use of governmental funds, the security of deposits and low-risk investment profile, and the management of long-term debt through voter-approved bond issuances. A recurring theme is the lack of a recorded General Fixed Asset Account Group due to the chosen accounting basis. Later reports provide more detailed information on internal control and compliance, particularly concerning federal awards. The financial data presented in the combined financial statements provides a snapshot of the District's assets, liabilities, and fund balances at the end of each fiscal year, allowing for a year-over-year understanding of its financial position, although a full trend analysis requires a more in-depth review of the complete audit documents.