

Crescent School District I-2
Logan County, Oklahoma
Financial Statements
Year-End June 30, 2017

Crescent School District I-2
Logan County, Oklahoma
Table of Contents
June 30, 2017

Independent Auditor's Report	1
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Fund-type and Account Group Financial Statements:

Combined Statement of Assets, Liabilities and Fund Equity - Regulatory Basis – All Governmental Fund Types and Accounts Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes In Cash Fund Balances – Regulatory Basis – All Governmental Fund Types	5
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual – Regulatory Basis Budgeted Governmental Fund Types	6
Notes to Combined Financial Statements	8

Other Information:

Combining Financial Statements:

Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis – All Capital Project Funds	21
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Regulatory Basis – All Capital Project Funds	22
Combining Statement of Changes in Cash Balances – Regulatory Basis – Activity Funds	23
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	26

Crescent School District I-2
Logan County, Oklahoma
Table of Contents
June 30, 2017

Government Auditing Standards Section:

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>	27
Schedule of Findings and Questioned Costs	29
Summary of Prior Year Findings	33
Other Oklahoma Department of Education Requirements	
Statement of Statutory, Fidelity and Honesty Bonds (unaudited)	36
Schedule of Accountants' Professional Liability Insurance (unaudited)	37



Independent Auditor's Report

The Honorable Board of Education
Crescent School District, I-2
Crescent, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements of Crescent School District, I-2, Logan County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory financial statements as listed in the table of contents.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

As discussed in Note 1, the financial statements are prepared by Crescent School District, I-2, Logan County, Oklahoma, on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Crescent School District, I-2, Logan County, Oklahoma as of June 30, 2017, the changes in its financial position for the year then ended.

Basis for Qualified Opinion on General Fixed Asset Account Group

As discussed in Note 1, the combined financial statements referred to above do not include the General Fixed Asset Account Group which should be included to conform with financial reporting provisions of Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fixed Asset Account Group” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Crescent School District, I-2, Logan County, Oklahoma, as of June 30, 2017, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crescent School District I-2, Logan County, Oklahoma financial statements as a whole. The accompanying combining financial statements, combining statement of changes in cash balances – regulatory basis – activity funds and schedule of expenditures of federal awards are presented for purpose of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, combining statement of changes in cash balances – regulatory basis – activity fund, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Oklahoma Department of Education requires the statement of statutory fidelity and honesty bonds and schedule of accountant’s professional liability insurance be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. We have applied limited procedures to this other information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018, on our consideration of Crescent School District I-2, Logan County, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Crescent School District I-2, Logan County, Oklahoma’s internal control over financial reporting and compliance.



Ardmore, Oklahoma
April 18, 2018

Crescent School District I -2
 Logan County, Oklahoma
 Combined Statement of Assets, Liabilities and Fund Equity
 Regulatory Basis – All Governmental Fund Type and Account Groups
 June 30, 2017

ASSETS	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (memorandum only - Note 1)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long Term Debt	6/30/2017
Cash	\$ 564,875	\$ 36,302	\$ 577,045	\$ 515,832	\$ 159,290	\$ -	\$ 1,853,344
Amount available in debt service fund	-	-	-	-	-	577,045	577,045
Amounts to be provided for							
Capital leases	-	-	-	-	-	3,256,572	3,256,572
Retirement of general long term debt	-	-	-	-	-	1,922,955	1,922,955
Total Assets	\$ 564,875	\$ 36,302	\$ 577,045	\$ 515,832	\$ 159,290	\$ 5,756,572	\$ 7,609,916
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 546,797	\$ 2,988	\$ -	\$ -	\$ -	\$ -	\$ 549,785
Due to others	-	-	-	-	159,290	-	159,290
Capital leases payable	-	-	-	-	-	3,256,572	3,256,572
General obligation bonds payable	-	-	-	-	-	2,500,000	2,500,000
Total Liabilities	546,797	2,988	-	-	159,290	5,756,572	6,465,647
Fund Equity:							
Undesignated	18,078	33,314	577,045	515,832	-	-	1,144,269
Total Cash Fund Balances	18,078	33,314	577,045	515,832	-	-	1,144,269
Total Liabilities and Fund Equity	\$ 564,875	\$ 36,302	\$ 577,045	\$ 515,832	\$ 159,290	\$ 5,756,572	\$ 7,609,916

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

Crescent School District I -2
 Logan County, Oklahoma
 Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
 Regulatory Basis – All Governmental Fund Type
 For the Year Ended June 30, 2017

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2017
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 942,710	\$ 120,722	\$ 542,334	\$ 2,081	\$ 1,607,847
Intermediate sources	162,233	-	-	-	162,233
State sources	2,598,676	2,858	13	-	2,601,547
Federal sources	882,694	-	-	65,902	948,596
Total Revenues Collected	<u>\$ 4,586,313</u>	<u>\$ 123,580</u>	<u>\$ 542,347</u>	<u>\$ 67,983</u>	<u>\$ 5,320,223</u>
Expenditures paid:					
Instruction	\$ 2,744,159	\$ 4,903	\$ -	\$ 66,657	\$ 2,815,719
Support services	1,273,974	173,621	-	19,903	1,467,498
Non-Instructional services	111,745	1,204	-	-	112,949
Facilities acquisition and construction services	5,150	-	-	1,698,580	1,703,730
Other outlays	3,244	-	-	-	3,244
Total expenditures paid	<u>4,138,272</u>	<u>179,728</u>	<u>-</u>	<u>1,785,140</u>	<u>6,103,140</u>
Excess of revenues collected over (under) expenditures paid	448,041	(56,148)	542,347	(1,717,157)	(782,917)
Other financing sources:					
Premium on bond sale	\$ -	\$ -	\$ 17,143	\$ 1,965,000	\$ 1,982,143
Excess of revenues collected and other sources over (under) expenditures paid and other uses	448,041	(56,148)	559,490	247,843	1,199,226
Cash fund balances, beginning of year	<u>(429,963)</u>	<u>89,462</u>	<u>17,555</u>	<u>267,989</u>	<u>(54,957)</u>
Cash fund balances, end of year	<u>\$ 18,078</u>	<u>\$ 33,314</u>	<u>\$ 577,045</u>	<u>\$ 515,832</u>	<u>\$ 1,144,269</u>

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

Crescent School District I -2
Logan County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2017

	General Fund				Building Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ (429,963)	\$ (429,963)	\$ (429,963)	\$ -	89,462	89,462	89,462	\$ -
Revenues collected:								
Local sources	830,566	1,180,077	942,710	(237,367)	111,142	111,142	120,722	9,580
Intermediate sources	140,527	140,527	162,233	21,706	-	-	-	-
State sources	2,647,550	2,647,550	2,598,676	(48,874)	-	-	2,858	2,858
Federal sources	621,015	621,015	882,694	261,679	-	-	-	-
Total Revenues Collected	<u>\$ 4,239,658</u>	<u>\$ 4,589,169</u>	<u>\$ 4,586,313</u>	<u>\$ (2,856)</u>	<u>\$ 111,142</u>	<u>\$ 111,142</u>	<u>\$ 123,580</u>	<u>\$ 12,438</u>
Expenditures paid:								
Instruction	3,809,695	2,799,999	2,744,159	(55,840)	5,000	5,000	4,903	(97)
Support services	-	1,275,000	1,273,974	(1,026)	194,104	194,104	173,621	(20,483)
Non-Instructional services	-	84,207	111,745	27,538	1,500	1,500	1,204	(296)
Facilities acquisition and construction service	-	-	5,150	5,150	-	-	-	-
Other outlays	-	-	3,244	3,244	-	-	-	-
Total Expenditures paid	<u>\$ 3,809,695</u>	<u>\$ 4,159,206</u>	<u>\$ 4,138,272</u>	<u>\$ (20,934)</u>	<u>\$ 200,604</u>	<u>\$ 200,604</u>	<u>\$ 179,728</u>	<u>\$ (20,876)</u>
Excess of revenues collected over (under) expenditures paid	429,963	429,963	448,041	18,078	(89,462)	(89,462)	(56,148)	33,314
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,078</u>	<u>\$ 18,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,314</u>	<u>\$ 33,314</u>

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

Crescent School District I -2
 Logan County, Oklahoma
 Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund
 Balances – Budget and Actual
 Regulatory Basis – Budgeted Governmental Fund Types
 For the Year Ended June 30, 2017

	Debt Service Fund			
	Original	Final	Actual Budgetary	
	Budget	Budget	Basis	Variance
Beginning cash fund balances - Budgetary basis	\$ 17,555	\$ 17,555	17,555	\$ -
Revenues collected:				
Local sources	527,075	527,075	542,334	15,259
State sources	-	-	13	13
Total Revenues Collected	\$ 527,075	\$ 527,075	\$ 542,347	\$ 15,272
Expenditures paid:				
Debt service:				
Principal payments	535,000	535,000	-	(535,000)
Interest and fiscal agent fees	9,630	9,630	-	(9,630)
Total Expenditures Paid	\$ 544,630	\$ 544,630	\$ -	\$ (544,630)
Excess of revenues collected over (under) expenditures paid	-	-	559,902	559,902
Ending cash fund balances budgetary basis	\$ -	\$ -	\$ 559,902	\$ 559,902

Reconciliation between Budgetary Comparison Schedule
 and Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances.

Actual amounts "Ending Cash Balances" from budgetary comparison Schedule:	559,902
Adjustment for premium on bond sales which are nonbudgetary items	17,143
Ending Cash Balances as reported on the State of Revenues Collected, Expenditures Paid and Changes in Fund Balances	\$ 577,045

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. *Summary of Significant Accounting Policies*

The basic financial statements of the Crescent School District, I-2, Logan County, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. *The Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of five 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.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund - The special revenue fund consists of the District's Building Fund. The Building fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting – (continued)

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

Fiduciary Fund Types

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

Account Groups

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

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The District does not maintain the fixed asset records necessary to account for this account group.

Memorandum Only - Total Column

The total column on the basic regulatory financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

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 are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

Estimates - The preparation of financial statements in conformity with the regulatory basis of accounting requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Noncash Transactions - The District received federal food commodities in the amount of \$15,523. In addition, the State of Oklahoma paid approximately \$36,081 directly to the teacher retirement fund on behalf of the District's employees.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

D. Budgets and Budgetary Accounting

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

The District has approved by a majority of the electors of the District voting on the question made the ad valorem levy for emergency levy and local support levy permanent.

Prior to September 1, the District must file with the county excise board, a budget for the current fiscal year including an itemized statement of estimate of needs and probable income from all sources including ad valorem taxes. This budget, if not protested, becomes the legal budget for the District.

Under current Oklahoma Statutes a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets Liabilities and Fund Equity

Investment - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policies are governed by *Oklahoma Statutes*. 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, banks and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal depository insurance.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

E. Assets Liabilities and Fund Equity – (continued)

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first halves of taxes are due prior to January 1. The second half is due prior to April 1.

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

Inventories - The value of consumable inventories at June 30, 2017 is not material to the financial statements.

Capital Assets - The General Fixed Asset Account Group is not presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental funds that will pay it. There are no amounts of vested or accumulated vacation leave expected to be liquidated.

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

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies – (continued)

F. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 57% of the District's general fund revenue comes from state sources.

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical education program revenues be accounted for in the general fund.

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

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

2. Cash

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2017, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

Crescent School District I -2
 Logan County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2017

3. General Long Term Debt

State statute prohibit the District from becoming indebted in an amount exceeding the revenue 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. Those bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2017:

	<i>Bonds Payable</i>	<i>Capital Leases</i>
Balance July 1, 2016	\$ 535,000	\$ 4,469,885
Additions	1,965,000	-
Retirements	-	(1,213,313)
Balance June 30, 2017	\$ 2,500,000	\$ 3,256,572

General Obligation Bonds

A brief description of the outstanding general obligations issues at June 30, 2017, is set forth below:

	<i>Amount Outstanding</i>
Logan Co. OK ISD # 2 Combined Purpose, original issue \$535,000, interest rate 0.9%, due in annual installment of \$535,000 due 7/1/17.	\$ 535,000
Logan Co. OK ISD # 2 Building Bonds of 2016, original issue \$540,000, interest rate 1.10%, due in annual installment of \$540,000	540,000
Logan Co. OK ISD # 2 Combined Purpose Building Bonds of 2017, original issue \$1,425,000, interest rate 2.00%, due in annual installment of \$1,425,000 due 4/1/19.	1,425,000
	\$ 2,500,000

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

Crescent School District I -2
 Logan County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2017

3. General Long Term Debt – (continued)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	535,000	38,130	\$ 573,130
2019	1,965,000	40,380	2,005,380
Total	<u>\$ 2,500,000</u>	<u>\$ 78,510</u>	<u>\$ 2,578,510</u>

Capital Leases

The District enters into lease agreements as lessee for financing the acquisition of equipment. For accounting purposes since lease term is greater than 75% of the useful life of the equipment, it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which provides the ability to terminate the agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt group.

The District entered into a lease agreement for six copiers in the amount of \$28,870 at an interest of 4.92% payable in 55 monthly payments of \$588.41. The District also entered into a lease agreement to finance the construction of various projects in the amount of \$5,930,000 at interest rate of 3.7% payable in ten annual installments.

Scheduled payments under the lease/purchase agreement as of each fiscal year ended June 30, are as follows:

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2018	\$ 466,538
2019	476,538
2020	486,538
2021	491,217
2022	500,000
2023-2027	<u>1,350,000</u>
	3,770,831
Less: Interest	<u>(514,259)</u>
Total	<u>\$ 3,256,572</u>

Interest expense on general long-term debt incurred during the current year totaled \$174,755.

Pledged Revenues

Property Tax revenues collected by the District are pledged to repay the District's General Obligation Bonds. Proceeds from the bonds were used for construction of the cafeteria/safe room. The bonds are payable solely from the pledged revenues and are payable through 2019. As of June 30, 2017, \$2,500,000 general obligation bonds were outstanding. Current year revenues will be used 100% in July 2017, there were no payments during fiscal year 2017.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

3. *Employee Retirement System*

Teachers' Retirement System of Oklahoma

Plan Description – The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publically available financial report that can be obtained at <http://www.ok.gov/trs/>.

Benefits Provided – The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2017, qualifying employee contributions were reduced by a retirement credit of \$36,081 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2017, the District had a statutory contribution rate of 9.5% plus 7.70% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2017, the District contributions to the System for were \$271,460.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was approximately \$195,837.

At June 30, 2017, the District's proportionate share of the net pension liability was \$5,660,665. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.06755663%, which was an increase of 0.00283500% to the proportion measured as of June 30, 2015.

Crescent School District I -2
 Logan County, Oklahoma
 Notes to Combined Financial Statements
 June 30, 2017

4. Employee Retirement System (continued)

For the year ended June 30 2017, the District had pension expense of \$592,988.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.50%	3.25%
Domestic Equity	40.00%	6.33%
International Equity	17.50%	6.60%
Private Equity	5.00%	8.30%
Real Estate	7.00%	4.50%
Limited Partnerships	7.00%	7.70%
	<u>100.00%</u>	

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2016. Previously, the System had used 8.00% discount rate. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate share of the net pension liability	<u>\$ 7,410,702</u>	<u>\$ 5,660,666</u>	<u>\$ 4,195,918</u>

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

4. *Employee Retirement System (continued)*

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

4. *Commitments and Contingencies*

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

As of June 30, 2017 the District has Cafeteria/Multipurpose center project which is estimated to have a total cost of construction and fees remaining of \$3,999,504 with 75% of the funds to be provided by Federal Emergency Management Grant.

5. *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

6. *Lease/Purchase Agreements*

February, 2017, the District executed a ground lease agreement and sublease agreement with Standard Capital Finance LLC (the Lessor). The District will lease items of real property and equipment until such time as all payments due under the terms of the Lease/Purchase Agreement have been paid in full. The Lessor has sub-leased the property covered by the ground lease to the District. The District will receive a release for the real and/or personal property for the specific part of the Project associated with each lease payment. The lease includes a non-appropriation clause for annual renewal. If the agreement is terminated in accordance with non-appropriation clause, the District will have to transfer any facilities that have not been released by payment. The voters of the District have approved issuance of \$5,930,000 general obligation bonds. These bonds will be issued in amounts necessary to pay the maturing principal and interest due under the lease/purchase agreement.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2017

7. *Lease/Purchase Agreements (continued)*

As of June 30, 2017 the District has issued \$2,500,000 general obligation bonds of the \$5,930,000 authorized by voters. In March, 2018, the District approved an additional \$1,050,000 in general obligation bonds which have yet to be sold. There is \$625,000 remaining authorized but unissued as of the date of this report.

8. *Tax Abatement*

The State of Oklahoma has authorized by Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District. For the year ended June 30, 2017, the district had approximately \$54,000 in abated ad valorem tax revenues.

9. *New GASB Standards*

The District implemented GASB No. 77 *Tax Abatement Disclosures*, which requires new disclosures about tax abatement agreements and their impact on the governmental unit's financial position.

10. *Subsequent Event*

In December, 2017, the board approved an agreement with a local bank to purchase non-payable warrants at a fixed interest rate not to exceed 5%.

The District has evaluated subsequent events through April 19, 2018, the date which the financial statements were available to be issued.

Crescent School District I -2
 Logan County, Oklahoma
 Supplementary Schedule
 Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
 All Capital Project Funds
 June 30, 2017

	Building Bond Fund 34	Transportation Bond Fund 35	Building Bond (2017) Fund 37	Total Capital Project Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 482,037	\$ 58	\$ 33,737	\$ 515,832
Total Assets	<u>\$ 482,037</u>	<u>\$ 58</u>	<u>\$ 33,737</u>	<u>\$ 515,832</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity:				
Unreserved:				
Undesignated	482,037	58	33,737	515,832
Total Cash Fund Balances	<u>482,037</u>	<u>58</u>	<u>33,737</u>	<u>515,832</u>
Total Liabilities and Fund Equity	<u>\$ 482,037</u>	<u>\$ 58</u>	<u>\$ 33,737</u>	<u>\$ 515,832</u>

Crescent School District I -2
 Logan County, Oklahoma
 Supplementary Schedule
 Combining Statement of Revenues Collected, Expenditures Paid and
 Changes in Cash Fund Balances – Regulatory Basis
 All Capital Project Funds
 For the Year Ended June 30, 2017

	Building Bond Fund 34	Transportation Bond Fund 35	Building Bond (2017) Fund 37	Total Capital Projects
Revenues collected:				
Local sources	\$ 1,814	\$ -	\$ 267	\$ 2,081
Federal sources	65,902	-	-	65,902
Total Revenues Collected	<u>\$ 67,716</u>	<u>\$ -</u>	<u>\$ 267</u>	<u>\$ 67,983</u>
Expenditures paid:				
Instruction services	\$ 66,657	\$ -	\$ -	\$ 66,657
Support services	19,903	-	-	19,903
Non-instructional services	-	-	-	-
Facilities acquisition and construction services	767,050	-	931,530	1,698,580
Other outlays	-	-	-	-
Total expenditures paid	<u>\$ 853,610</u>	<u>\$ -</u>	<u>\$ 931,530</u>	<u>\$ 1,785,140</u>
Excess of revenues collected over (under) expenditures paid	<u>\$ (785,894)</u>	<u>\$ -</u>	<u>\$ (931,263)</u>	<u>\$ (1,717,157)</u>
Other financing sources:				
Bond sale proceeds	<u>1,000,000</u>	<u>-</u>	<u>965,000</u>	<u>1,965,000</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	\$ 214,106	\$ -	\$ 33,737	\$ 247,843
Cash fund balances, beginning of year	<u>267,931</u>	<u>58</u>	<u>-</u>	<u>267,989</u>
Cash fund balances, end of year	<u>\$ 482,037</u>	<u>\$ 58</u>	<u>\$ 33,737</u>	<u>\$ 515,832</u>

Crescent School District I -2
 Logan County, Oklahoma
 Supplementary Schedule
 Combining Statement of Changes in Cash Balances – Regulatory Basis
 Activity Funds
 For the Year Ended June 30, 2017

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
Elementary	\$ 24,259	\$ 23,045	\$ 24,051	\$ 23,253
Athletics	21,882	47,909	48,526	21,265
Concessions	(5,198)	33,603	21,773	6,632
Band	2,321	851	626	2,546
Beta Club	304	880	479	705
Varsity Cheerleaders	8,761	24,010	25,779	6,992
Jr. High Cheerleaders	79	8,845	6,233	2,691
FCA	20	-	-	20
FFA	23,602	41,996	44,416	21,182
Interest Account	4,092	1,004	358	4,738
Art Club	5,304	7,435	6,474	6,265
FCCLA	5,327	10,473	9,762	6,038
Library	932	3,836	4,134	634
Class of 2014	463	-	463	-
Class of 2013	454	-	454	-
Yearbook	9,460	12,666	11,233	10,893
Athletic Fundraiser	12,734	42,258	36,558	18,434
Class of 2012	517	-	517	-
Class of 2011	42	-	42	-
21st Century	1,297	1,327	1,778	846
High School Misc	4,737	1,681	5,574	844
Student Council	3,373	2,026	2,891	2,508
BPA	412	2,975	1,851	1,536
Middle School	2,474	1,312	794	2,992
Tiger Sports Complex	1,193	2,689	3,593	289
Color Gurad	1,082	-	-	1,082
Science Fair	1,814	-	254	1,560
Class of 2015	1,315	-	1,315	-
Laptop	6,482	12,720	15,892	3,310
American History	368	-	-	368
Class of 2016	239	75	314	-
Special Ed	1,742	3,589	2,686	2,645
Class of 2017	1,411	516	1,130	797
Class of 2018	604	12,260	10,848	2,016
Class of 2019	296	230	76	450
Stadium Seating	6,100	2,375	3,697	4,778
Pathways	-	-	-	-
Class of 2020	251	265	-	516
Class of 2021	130	45	-	175
Class of 2022	100	-	-	100
Class of 2023	-	70	-	70
Vocal	117	1,203	1,200	120
Child Nutrition	-	28,721	28,721	-
	<u>\$ 150,892</u>	<u>\$ 332,890</u>	<u>\$ 324,492</u>	<u>\$ 159,290</u>

Crescent School District I -2
 Logan County, Oklahoma
 Supplementary Schedule
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

<u>Federal Grant / Pass-Through Grantor / Program Title</u>	Pass - Through		Federal CFDA Number	Grantor's Project Number	Balance 6/30/2016	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2017
U.S. Dept. of Education								
<i>Direct Program:</i>								
Title IX - Indian Education, Part A		84.060A	561	\$ (17,767)	\$ 22,405	\$ 9,223	\$ (4,585)	
Rural Education		84.358	588	(162)	-	-	(162)	
Project Pathways		84.215E	775	467	-	-	467	
 <i>Passed Through State Department of Education:</i>								
IDEA-B Flow Through		84.027	621	(44,462)	165,977	121,515	-	
IDEA-B Preschool		84.173	641	(3,352)	6,707	3,355	-	
Special Education Cluster				(47,814)	172,684	124,870	-	
Title I, Grants to Local Education Agencies		84.010	511/515	(24,368)	149,069	124,701	-	
Title II - Part D, Enhancing Education through technology		84.318	586	-	-	-	-	
Title VI- Part B		84.358	587	(4,764)	18,163	13,399	-	
Twenty-First Century Community Learning Centers		84.287	553	(131,203)	361,756	238,001	(7,448)	
Title II - Part A, Improving Teacher Quality through State Grants		84.367	541	(20,510)	20,510	-	-	
Total U.S. Department of Education				\$ (246,121)	\$ 744,587	\$ 510,194	\$ (11,728)	

See accompanying notes to schedule of expenditures of federal awards

Crescent School District I -2
 Logan County, Oklahoma
 Supplementary Schedule
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grant / Pass-Through Grantor / Program Title	Pass - Through		Federal CFDA Number	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2017		
	Grantor's Project Number	Balance 6/30/2016						
U.S. Department of Agriculture:								
<i>Passed Through State Department of Education:</i>								
National School Lunch Program			10.555	763	\$ -	\$ 98,344	\$ 24,233	\$ 74,111
School Breakfast Program			10.553	764	15,793	24,153	32,980	6,966
			10.559	766	2,659	6,755	130	9,284
		Cash Assistance Subtotal			<u>18,452</u>	<u>129,252</u>	<u>57,343</u>	<u>90,361</u>
<i>Passed Through State Department of Human Services:</i>								
National School Lunch Program- Commodities			10.555		-	15,523	15,523	-
		Non-Cash Assistance Subtotal			<u>-</u>	<u>15,523</u>	<u>15,523</u>	<u>-</u>
		Child Nutrition Cluster Total			<u>\$ 18,452</u>	<u>\$ 144,775</u>	<u>\$ 72,866</u>	<u>\$ 90,361</u>
CNP Professional Stds Tech Assistance			10.547	769	100	-	100	-
Child & Adult Care Food Program			10.558	767	-	8,855	8,855	-
		Total U.S. Department of Agriculture			<u>\$ 18,552</u>	<u>\$ 153,630</u>	<u>\$ 81,821</u>	<u>\$ 90,361</u>
U.S Department of Homeland Security								
<i>Passed Through the State Department of Emergency Management</i>								
Hazard Mitigation Grant (HMGP)			97.039	DR-4222-0018	\$ -	\$ 65,902	\$ 99,882	\$ (33,980)
		Total U.S. Department of Homeland Security			<u>\$ -</u>	<u>\$ 65,902</u>	<u>\$ 99,882</u>	<u>\$ (33,980)</u>
		Total Expenditures of Federal Awards			<u>\$ (227,569)</u>	<u>\$ 964,119</u>	<u>\$ 691,897</u>	<u>\$ 44,653</u>

See accompanying notes to schedule of expenditures of federal awards

Crescent School District I -2
Logan County, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Crescent School District I-2 Logan County, Oklahoma under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Crescent School District I-2 Logan County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Crescent School District I-2 Logan County, Oklahoma.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on using the cash basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

Note C: Indirect Cost Rate

Crescent School District I-2 Logan County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Subrecipients

Crescent School District I-2 Logan County, Oklahoma did not have any awards that have been passed through to subrecipients.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Board of Education
Crescent School District I -2
Logan County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements of Crescent School District I-2, Logan County Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Crescent School District I-2, Logan County Oklahoma's basic regulatory financial statements and have issued our report thereon dated April 19, 2018. Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crescent School District I-2, Logan County, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness Crescent School District I-2, Logan County, Oklahoma' internal control. Accordingly, we do not express an opinion on the effectiveness of Crescent School District I-2, Logan County, Oklahoma's internal control.

Our consideration of internal controls 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the

accompanying schedule of findings and responses to be material weaknesses. 2017-001 to 2017-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2017-006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crescent School District I-2, Logan County Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005

Crescent School District I-2, Logan County, Oklahoma's Response to Findings

Crescent School District I-2, Logan County, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Crescent School District I-2, Logan County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ardmore, Oklahoma

April 19, 2018

Crescent School District I -2
 Logan County, Oklahoma
 Schedule of Findings and Responses
 For the Year Ended June 30, 2017

2017-001 Written Contracts

Condition: Written contracts with compensation amounts for all employees were not presented to the board annually.

Criteria: Oklahoma Statutes 70-5-117 states that the Board of Education is responsible for contracting with and fixing duties and compensation of superintendents, principals, teachers and other necessary employees of the district.

Cause: The Board approved individuals by position but did not approve specific contract amounts for necessary employees other than the superintendent. District administration failed to present the information to the Board.

Effect: Employees could be paid amounts over and above what the Board expects and/or budgeted.

Recommendation: We recommend written contracts, fixing compensation for all employees, be presented to the Board annually.

*Views of Responsible Officials
and Planned Corrective*

Action: Starting with Fiscal Year 2018, contracts were presented to the Board for approval. The contracts with amounts were signed by the President and Clerk of the Board and employee.

2017-002 Contracts not in agreement with Approved Pay Scales

Condition: The District employee’s contracts and amounts paid were not in agreement with salary schedule.

Criteria: Oklahoma statutes 70-18-114-14 has state minimum salary schedule in which certified staff should be paid.

Cause: Former payroll clerk’s completion of contracts and determination of amounts to be paid included errors in years of experiences, degree or computation of annualized hourly amount.

Effect: Risk of overpayment or underpayment of employees

Recommendation: We recommend that all contracts be evaluated to ensure they are in agreement with years of services and type of degree with the State Department of Education, as well as a board approved salary schedule for support employees.

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2017

*Views of Responsible Officials
and Planned Corrective*

Action: For fiscal year 2018 contracts, current payroll clerk consulted with the State Department of Education single-sign on portal, to obtain each certified employee's experience and degree for preparation of contracts. Support staff pay scale has also been adopted by the board..

2017-003 Contracts and Extra Duty

Condition: Amounts paid to some employees could not be supported.

Criteria: To ensure that payroll is properly authorized, control activities should be developed and employed to reduce the risk that improper amounts will be paid.

Cause: The former payroll clerk was responsible for setting up master personnel pay information, making changes and generating pay checks.

Effect: Potential that amounts paid to employees is unauthorized.

Recommendation: We recommend that the District segregate personnel data set-up and maintenance, input and processing of payroll and approval of payroll transactions.

*Views of Responsible Officials
and Planned Corrective*

Action: The encumbrance clerk will set up personnel information once contracts and extra duty amounts have been approved by the Board. The Superintendent will review the payroll once processed.

2017-004 Purchasing

Condition: Purchases occurred before the appropriate budgetary control was in place and approved.

Criteria: Oklahoma Statutes 70-5-135 state that before any purchase is completed, a purchase order or encumbrance must be issued.

Cause: During fiscal year 2017, District had insufficient appropriations available to allow for creation of purchase orders. Once sufficient revenue had been received to allow for supplemental appropriations, purchase orders were created and invoices paid.

Effect: Purchases occurred before proper encumbrance.

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Recommendation: We recommend that the purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

*Views of Responsible Officials
and Planned Corrective*

Action: The District was aware of the need to have proper budgetary control but financial constraints prevented compliance.

2017-005 Activity Fund Receipts

Condition: Funds are not being turned to the financial secretary timely.

Criteria: Oklahoma Statutes 70-5.129 requires receipts equal or exceeding \$100 to be deposited by the following business day or weekly if less than \$100.

Cause: Sponsors' failure to turn money in to financial secretary within required time frame.

Context: Three of twenty-five receipts tested were not deposited within one business day based on date received by sponsor.

Effect: Lack of compliance with state law and District policy

Recommendation: We recommend that the reinforce requirement with District activity fund sponsors to remit funds daily to activity fund custodian.

*Views of Responsible Officials
and Planned Corrective*

Action: The District will continue to focus on improving compliance in this area.

2017-006 Financial Reporting

Condition: The District does not have a financial reporting system in place to ensure that all financial information is disclosed in the appropriate accounting period and in accordance with the regulatory basis of accounting and State Department of Education guidelines. In addition, the District does not report a general fixed asset account group as required by the State Department of Education guidelines.

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2017

awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

Cause: The internal control structure of the District focuses primarily on daily operations. The District does have a system of financial reporting that determines the trial balances used in financial statement preparation are final. The District does not currently have a system in place to determine appropriate financial statement disclosures. The District also does not have a system for accounting for general fixed assets.

Effect: Potential that financial statement disclosures will be incomplete. Scope limitation on the audit for the general fixed asset account group.

Recommendation: We recommend that the District evaluate the costs of providing for the additional assistance needed for the year-end financial reporting process to determine it is in accordance with accounting and regulatory requirements.

*Views of Responsible Officials
and Planned Corrective*

Action: The District's current budget constraints do not allow for the addition of an outside consultant to assist in the year-end financial reporting process. Management reviews disclosures as presented to determine that they are accurate.

Crescent School District I -2
Logan County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2017

2016-001 Written Contracts

Condition: Written contracts with compensation amounts for all employees were not presented to the board annually.

Recommendation: The Auditor recommended written contracts fixing compensation for all employees presented to the Board annually.

Current Status: Condition still exists, see current year 2017-001.

2016-002 Budget Compliance

Condition: The District expenditures exceeded appropriations, fund balances and revenue received in the general fund.

Recommendation: The Auditor recommended that the Board received the following reports 1) monthly; budget analysis with authorized appropriations total by fund 2) revenue analysis with authorized estimated revenue amounts 3) fund balance analysis which reports beginning fund balance, plus receipts less warrants issued for each fund.

Current Status: Condition has been resolved

2016-003 Contracts

Condition: Amounts paid to some employees could not be supported

Recommendation: The Auditor recommended segregate personnel data set-up and maintenance, input and processing of payroll and approval of payroll transactions.

Current Status: Condition still exists, see current year finding 2017-003

2016-004 Segregation of Treasury Duties

Condition: The treasurer performs opening of mail, posting of cash receipts, preparing the deposit and reconciling bank accounts.

Recommendation: The Auditor recommended that another staff member be involved in the process of handling cash that comes into District administrative office.

Current Status: Condition has been resolved

2016-005 Receiving

Condition: Proof of receipt of goods or services was not maintained on a regular basis.

Recommendation: The Auditor recommended that packing slips or other shipping documents should be signed and dated and copy attached to the invoice before payment.

Crescent School District I -2
Logan County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2017

Current Status: Condition has been resolved

2016-006 Purchasing

Condition: Purchasing occurred before the appropriate budgetary control was in place and approved.

Recommendation: The Auditor recommended that purchase requirements be reinforced with all those who have authorization to make purchases on behalf of the District.

Current Status: Condition still exists, see current year finding 2017-004

2016-007 Capital Expenditures

Condition: A bus was purchased with general fund resources.

Recommendation: The Auditor recommended that District obtain legal advice before making capital expenditures using general fund resource to be determining that exceptions contained in law have been met and documented.

Current Status: Condition has been resolved.

2016-008 Activity Fund Receipts

Condition: Funds are not being turned to the financial secretary timely.

Recommendation: The Auditor recommended that District sponsors remit funds daily, and thus activity fund custodian can deposit funds within one business day.

Current Status: Condition still exists, see current year finding 2017-005

2016-009 Financial Reporting

Condition: Funds are not being turned to the financial secretary timely.

Recommendation: The Auditor recommended that District sponsors remit funds daily, and thus activity fund custodian can deposit funds within one business day.

Current Status: Condition still exists, see current year finding 2017-006

Crescent School District I -2
Logan County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2017

2016-010 Child Nutrition Cluster—School Breakfast Program and National School Lunch Program – CFDA #10.553 and #10.555

Condition: Eligibility determined and given to student was not in agreement with information entered on application.

Recommendation: The Auditor recommended the District implement controls to verify that data input is accurate.

Current Status: Recommendations have been implemented, and no such items noted in current year.

2016-011 Twenty-First Century Community Learning Centers CFDA #84.287

Condition: Program director working with federal program did not have proper time and effort documentation.

Recommendation: The Auditor recommended the District stress the importance of proper documentation of time and effort of all employees being paid with federal funds.

Current Status: Recommendations have been implemented, and no such items noted in current year.

2016-012 Twenty-First Century Community Learning Centers CFDA #84.287

Condition: Amounts paid and reimbursed were not supported by proper documentation.

Recommendation: The Auditor recommended the District implement controls to verify that hours worked is accurate before being paid.

Current Status: Recommendations have been implemented, and no such items noted in current year.

Crescent School District I -2
Logan County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2017

The District has a Blanket Position Schedule Bond with CAN Surety Company. The bond number is 18193344 dated October 28, 2016 to October 28, 2017. The positions covered and amount of coverage are as follows:

Custodian of Activities/Lunch Fund	\$ 5,000
Custodian of Lunch Fund	5,000
Encumbrance/Minutes Clerk	1,000
Deputy Clerk	1,000
Administrative Assistant	1,000
Superintendent	100,000

The treasurer is bonded by Ohio Casualty, bond number 3874055, for the term July 11, 2016 to July 11, 2017, in the amount of \$50,000.

Crescent School District I -2
Logan County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2017

State of Oklahoma)

County of Carter)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Crescent School District I -2 for the audit year 2016-2017.

MARY E. JOHNSON & ASSOCIATES, PLLC

BY: Mary E. Johnson
Authorized Agent

Subscribed and sworn to before me on this 18th day of April, 2018.

Jillian Luker
Notary Public

Commission Number: _____

My commission expires on: _____



day of _____, 20____.