

CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. 53

OKLAHOMA COUNTY, OKLAHOMA

JUNE 30, 2017

TABLE OF CONTENTS

	Page
<u>SCHOOL DISTRICT OFFICIALS</u>	
<u>INDEPENDENT AUDITOR'S REPORT</u>	1
<u>COMBINED FINANCIAL STATEMENTS</u>	
Combined Statement of Assets, Liabilities and Fund Balances - Regulatory Basis - All Fund Types and Account Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types	5
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types	6
Notes to Combined Financial Statements	7
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>Combining Financial Statements</u>	
Combining Statement of Assets, Liabilities and Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-1
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances-Regulatory Basis-Special Revenue Funds	Exhibit A-2
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances-Budget and Actual-Regulatory Basis-Special Revenue Funds	Exhibit A-3
Combining Statement of Assets, Liabilities and Fund Equity - Regulatory Basis - Activity Funds	Exhibit A-4
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - Activity Funds	Exhibit A-5
<u>Supporting Schedule(s)</u>	
Schedule of Expenditures of Federal Awards	Exhibit B-1
<u>INTERNAL CONTROL AND COMPLIANCE REPORTS</u>	
* Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	Exhibit C-1
* Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.	Exhibit D-1
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	
Summary of Auditor's Results	Exhibit E-1
Findings Related to Financial Reporting	Exhibit E-2
Summary Schedule of Prior Year Audit Findings	Exhibit F-1

CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. 53
OKLAHOMA COUNTY, OKLAHOMA
JUNE 30, 2017

TABLE OF CONTENTS

OTHER INFORMATION

Page

Schedule of Accountants' Professional Liability Insurance Affidavit
School's Corrective Action Plan

Exhibit G-1
Exhibit H-1

* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and *Uniform Guidance* when a single audit is applicable

**CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2017**

BOARD OF EDUCATION

President	Tammy Carpenter
Vice President	Sherri Maynard
Clerk	Robin Thornesberry
Member	Scott Trosper
Member	Melva Brinlee

SUPERINTENDENT OF SCHOOLS

Bradley Richards

SCHOOL DISTRICT TREASURER

Tammy Thele

ENCUMBRANCE CLERK

Tammy Smith

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Crooked Oak Independent School District #53
Oklahoma County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the **Crooked Oak Independent School District #53**, Oklahoma 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 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As discussed in Note 1, the financial statements are prepared by **Crooked Oak Independent School District #53** Oklahoma County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the above paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Crooked Oak Independent School District #53**, Oklahoma County, Oklahoma, as of June 30, 2017, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of **Crooked Oak Independent School District, #53**, Oklahoma County, Oklahoma as of June 30, 2017, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Crooked Oak Independent School District #53, Oklahoma County, Oklahoma’s** basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the **Crooked Oak Independent School District, #53, Oklahoma County, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Crooked Oak Independent School District, #53, Oklahoma County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
January 30, 2018

COMBINED FINANCIAL STATEMENTS

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
June 30, 2017

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	June 30, 2017
ASSETS							
Cash and Cash Equivalents	\$ 1,991,223	\$ 611,457	\$ 429,590	\$ 69,967	\$ 77,323	\$ 0	\$ 3,179,560
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	429,590	429,590
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,850,410	1,850,410
Amounts to be Provided For Capitalized Lease Obligations	0	0	0	0	0	14,049,594	14,049,594
Amounts to be Provided For Compensated Absences	0	0	0	0	0	23,634	23,634
Total Assets	\$ 1,991,223	\$ 611,457	\$ 429,590	\$ 69,967	\$ 77,323	\$ 16,353,228	\$ 19,532,788
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants Payable	\$ 192,397	\$ 29,024	\$ 0	\$ 27,614	\$ 0	\$ 0	\$ 249,035
Reserve for Encumbrances	28,059	74,478	0	40,844	0	0	143,382
Due to Activity Groups	0	0	0	0	77,323	0	77,323
General Obligation Bonds Payable	0	0	0	0	0	2,280,000	2,280,000
Capitalized Lease Obligations Payable	0	0	0	0	0	14,049,594	14,049,594
Compensated Absences Payable	0	0	0	0	0	23,634	23,634
Total Liabilities	\$ 220,456	\$ 103,502	\$ 0	\$ 68,458	\$ 77,323	\$ 16,353,228	\$ 16,822,967
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 429,590	\$ 0	\$ 0	\$ 0	\$ 429,590
Capital Projects	0	0	0	1,509	0	0	1,509
Building Programs	0	370,763	0	0	0	0	370,763
Child Nutrition Programs	0	137,192	0	0	0	0	137,192
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	1,770,767	(0)	0	0	0	0	1,770,767
Total Fund Balances	\$ 1,770,767	\$ 507,955	\$ 429,590	\$ 1,509	\$ 0	\$ 0	\$ 2,709,821
Total Liabilities and Fund Balances	\$ 1,991,223	\$ 611,457	\$ 429,590	\$ 69,967	\$ 77,323	\$ 16,353,228	\$ 19,532,788

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

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ended June 30, 2017

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2017
Revenue Collected:					
Local Sources	\$ 2,452,217	\$ 348,076	\$ 1,784,299	\$ 1,509	\$ 4,586,101
Intermediate Sources	343,551	0	0	0	343,551
State Sources	4,902,531	60,532	0	0	4,963,063
Federal Sources	1,395,760	640,686	0	0	2,036,445
Non-Revenue Receipts	2,189	4,700	0	0	6,889
<i>Total Revenue Collected</i>	<u>\$ 9,096,248</u>	<u>\$ 1,053,994</u>	<u>\$ 1,784,299</u>	<u>\$ 1,509</u>	<u>\$ 11,936,050</u>
Expenditures Paid:					
Instruction	\$ 5,887,724	\$ 0	\$ 0	\$ 31,119	\$ 5,918,842
Support Services	2,621,461	574,863	0	43,500	3,239,824
Operation of Non-Instructional Services	0	725,586	0	0	725,586
Facilities Acquisition and Construction	3,000	111,786	0	1,622,241	1,737,027
Other Outlays	2,189	4,700	0	0	6,889
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	3,335,000	0	3,335,000
Interest and Fiscal Agent Fees	0	0	77,178	0	77,178
<i>Total Expenditures Paid</i>	<u>\$ 8,514,373</u>	<u>\$ 1,416,934</u>	<u>\$ 3,412,178</u>	<u>\$ 1,696,859</u>	<u>\$ 15,040,344</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 581,874</u>	<u>\$ (362,940)</u>	<u>\$ (1,627,879)</u>	<u>\$ (1,695,350)</u>	<u>\$ (3,104,295)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 11,928</u>	<u>\$ 1,166</u>	<u>\$ 0</u>	<u>\$ 79,916</u>	<u>\$ 93,010</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 990	\$ (0)	\$ 0	\$ 0	\$ 990
Bond Proceeds	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 990</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 990</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 594,792</u>	<u>\$ (361,775)</u>	<u>\$ (1,627,879)</u>	<u>\$ (1,615,434)</u>	<u>\$ (3,010,295)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,175,975</u>	<u>869,730</u>	<u>2,057,468</u>	<u>1,616,943</u>	<u>5,720,116</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,770,767</u>	<u>\$ 507,955</u>	<u>\$ 429,590</u>	<u>\$ 1,509</u>	<u>\$ 2,709,821</u>

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

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ended June 30, 2017

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 2,253,812	\$ 2,253,812	\$ 2,452,217	\$ 326,659	\$ 326,659	\$ 348,076	\$ 1,753,876	\$ 1,753,876	\$ 1,784,299
Intermediate Sources	271,600	271,600	343,551	0	0	0	0	0	0
State Sources	5,074,151	5,074,151	4,902,531	58,500	58,500	60,532	0	0	0
Federal Sources	1,022,625	1,022,625	1,395,760	565,200	565,200	640,686	0	0	0
Non-Revenue Receipts	0	0	2,189	0	0	4,700	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 8,622,188</u>	<u>\$ 8,622,188</u>	<u>\$ 9,096,248</u>	<u>\$ 950,359</u>	<u>\$ 950,359</u>	<u>\$ 1,053,994</u>	<u>\$ 1,753,876</u>	<u>\$ 1,753,876</u>	<u>\$ 1,784,299</u>
Expenditures Paid:									
Instruction	\$ 9,798,163	\$ 9,798,163	\$ 5,887,724	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	2,621,461	1,035,378	1,035,378	574,863	0	0	0
Operation of Non-Instructional Services	0	0	0	784,710	784,710	725,586	0	0	0
Facilities Acquisition and Construction	0	0	3,000	0	0	111,786	0	0	0
Other Outlays	0	0	2,189	0	0	4,700	3,811,344	3,811,344	3,412,178
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 9,798,163</u>	<u>\$ 9,798,163</u>	<u>\$ 8,514,373</u>	<u>\$ 1,820,088</u>	<u>\$ 1,820,088</u>	<u>\$ 1,416,934</u>	<u>\$ 3,811,344</u>	<u>\$ 3,811,344</u>	<u>\$ 3,412,178</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,175,975)</u>	<u>\$ (1,175,975)</u>	<u>\$ 581,874</u>	<u>\$ (869,730)</u>	<u>\$ (869,730)</u>	<u>\$ (362,940)</u>	<u>\$ (2,057,468)</u>	<u>\$ (2,057,468)</u>	<u>\$ (1,627,879)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,928</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,166</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 990	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 990</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (1,175,975)</u>	<u>\$ (1,175,975)</u>	<u>\$ 594,792</u>	<u>\$ (869,730)</u>	<u>\$ (869,730)</u>	<u>\$ (361,775)</u>	<u>\$ (2,057,468)</u>	<u>\$ (2,057,468)</u>	<u>\$ (1,627,879)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,175,975</u>	<u>1,175,975</u>	<u>1,175,975</u>	<u>869,730</u>	<u>869,730</u>	<u>869,730</u>	<u>2,057,468</u>	<u>2,057,468</u>	<u>2,057,468</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 1,770,767</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 507,955</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 429,590</u>

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Crooked Oak Public Schools Independent District No. 53, Oklahoma County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

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

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

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.B. Fund Accounting

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

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

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

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

Governmental Fund Types

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

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

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

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

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

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

4. Capital Projects Fund - The capital projects fund consists of the District's 2009-2016 building bond issues. These funds are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

Fiduciary Fund Types

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

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

Account Groups

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

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

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

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

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

- 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.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- 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; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

1.D. Budgets and Budgetary Accounting

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

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

1.E. Assets, Liabilities and Fund Equity

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

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

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

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

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

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

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

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

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

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

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

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

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

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

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

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

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

1.F. Revenue, Expenses, and Expenditures

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

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

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies, (continued)

1.F. Revenue, Expenses, and Expenditures, (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. Transfers in/transfers out may not agree because activity fund transactions are not included.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2017:

			<u>Carrying Value</u>
Deposits			
Demand Deposits	\$	3,195,775	
Time Deposits			<u>0</u>
Total Deposits	\$	3,195,775	<u><u>3,195,775</u></u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			<u>0</u>
Total Investments			<u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents	\$	3,179,560	
Activity Fund Outstanding Checks			<u>16,215</u>
Total Deposits and Investments	\$	3,195,775	<u><u>3,195,775</u></u>

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

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

At June 30, 2017, the District was not exposed to custodial credit risk as defined above.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 2 – Deposit and Investment Risk, (continued)

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2017, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 2 – Deposit and Investment Risk, (continued)

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

At June 30, 2017, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters.

General long-term debt of the District consists of bonds payable, capital leases, and compensated absences.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2017:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2016	\$ 5,615,000	\$ 15,330,025	170,366	\$ 21,115,391
Additions	0	320,371	0	320,371
Retirements	(3,335,000)	(1,600,802)	(146,732)	(5,082,534)
Balance, June 30, 2017	<u>\$ 2,280,000</u>	<u>\$ 14,049,594</u>	<u>\$ 23,634</u>	<u>\$ 16,353,228</u>

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

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2013 Building Bonds	.50-1.0%	11/01/18	\$ 1,550,000	\$ 790,000
2016 Building Bonds	1.50%	06/01/18	1,490,000	1,490,000
Totals			<u>\$ 3,040,000</u>	<u>\$ 2,280,000</u>

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 3 - General Long-term Debt, (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 Building Bonds			
2017-2018	\$ 0	\$ 22,350	\$ 22,350
2018-2019	1,490,000	11,175	1,501,175
Total 2016 Bonds	<u>\$ 1,490,000</u>	<u>\$ 33,525</u>	<u>\$ 1,523,525</u>
2013 Building Bonds			
2017-2018	\$ 395,000	\$ 7,900	\$ 402,900
2018-2019	395,000	3,950	398,950
Total 2013 Bonds	<u>\$ 790,000</u>	<u>\$ 11,850</u>	<u>\$ 801,850</u>
Total Bonds	<u>\$ 2,280,000</u>	<u>\$ 45,375</u>	<u>\$ 2,325,375</u>

Interest expense on bonds payable incurred during the current year totaled \$77,177.50.

District has entered into various lease agreements as lessee for financing the acquisition of a an elementary building and a high school building, copiers, equipment and buses. These lease agreements qualify as a capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease.

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending	<u>Equipment Lease</u>	<u>Buses</u>	<u>Copiers</u>	<u>Elementary Building</u>	<u>High School Building</u>	<u>Total</u>
2018	\$ 39,658	\$ 83,500	\$ 18,360	\$ 1,341,150	\$ 143,550	1,626,218
2019	39,658	0	18,360	1,375,800	123,750	1,557,568
2020	39,658	0	18,360	1,405,500	108,900	1,572,418
2021	39,658	0	13,770	0	1,529,250	1,582,678
2022	39,658	0	0	0	1,529,250	1,568,908
2023	39,658	0	0	0	1,529,250	1,568,908
2024	16,525	0	0	0	1,529,250	1,545,775
2025	0	0	0	0	1,529,250	1,529,250
2026	0	0	0	0	1,529,250	1,529,250
Total Minimum Lease Payments	<u>\$ 254,473</u>	<u>\$ 83,500</u>	<u>\$ 68,850</u>	<u>\$ 4,122,450</u>	<u>\$ 9,551,700</u>	<u>\$ 14,080,973</u>
Less: Amounts Representing Interest	(25,540)	0	(5,839)	0	0	(31,379)
Present Value of Future Minimum Lease Payments	<u>228,933</u>	<u>83,500</u>	<u>\$ 63,011</u>	<u>\$ 4,122,450</u>	<u>9,551,700</u>	<u>\$ 14,049,594</u>

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 3 - General Long-term Debt, (continued)

Compensated Absences

The District will pay \$25.00 per hour for unused sick leave of an employee who retires or terminated employment up to a maximum of 150 hours. The liability for compensated absences as of June 30, 2017 is \$23,634.

Note 4 - Employee Retirement System

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

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

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2017. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2017, 2016, and 2015 were \$568,071, \$594,007, and \$579,885, respectively.

The compensation for employees covered by the System for the year ended June 30, 2017 was \$5,951,816; the District's total compensation was \$6,834,247. In addition to the District's 9.50% contributions, the District was required to pay into the System 7.7% of compensation arising from federal grants \$79,692. There were \$370,158 contributions made by employees during the year ended June 30, 2017.

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 4 - Employee Retirement System, (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

Total pension obligation	\$ 22,193,244,472
Net assets available for benefits, at cost	<u>14,577,868,730</u>
 Nonfunded pension benefit obligation	 <u>\$ 7,615,375,742</u>

The System’s accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher’s Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

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

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$55,652,543; general liability - \$1,000,000; Educators Liability - \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

Crooked Oak ISD No. 53, Oklahoma County
Notes To The Financial Statements
For The Year Ended June 30, 2017

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The Superintendent is bonded by RLI Insurance company bond #LSM0373835 for the penal sum of \$100,000 for the term July 1, 2016 to July 1, 2017.

The Treasurer is bonded by RLI Insurance company bond #LSM0400624 for the penal sum of \$100,000 for the term July 17, 2016 to July 17, 2017.

The Encumbrance Clerk/Minutes Clerk/Activity Fund custodian is bonded by RLI Insurance Company bond #LSM0372232 for the penal sum of \$100,000 for the period June 1, 2016 to June 1, 2017.

The Activity Account Clerk/Payroll Clerk,are bonded by Old Republic Surety Company bond #POB 1100372 for the penal sum of \$5,000 for the period July 1, 2016 to July 1, 2017.

Note 9 – Subsequent Events

In July 2017, the District issued \$3,025,000 in Combined Purpose Bonds of 2017. The proceeds from these bonds will be used to construct, furnish, equip, and/or acquire a New Elementary School addition to include, but not limited to: drywall, metal studs, metal doors, door frames, and door hardware; electrical panels and sub panels, lighting fixtures, signage; and construct furnish, equip, and/or acquire a new high school to include, but not be limited to: caulking and sealants; window blinds and restrooms, as well as to pay all legal, financial and other costs relating to the issuance of the Bonds. This bond has a coupon rate of 1.750%, and a maturity date of July 1, 2020.

In July 2017, the District issued \$1,100,000 in Building Bonds of 2017. The proceeds from these bonds will be used to renovate, repair and/or remodel the gymnasium, as needed, as well as to pay all legal, financial and other costs relating to the issuance of the Bonds. This bond has a coupon rate of 1.750%, and a maturity date of July 1, 2021.

OTHER SUPPLEMENTAL INFORMATION

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
June 30, 2017

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2017</u>
Cash and Cash Equivalents	\$ 461,708	\$ 149,749	\$ 611,457
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 461,708</u>	<u>\$ 149,749</u>	<u>\$ 611,457</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants Payable	\$ 16,467	\$ 12,557	\$ 29,024
Reserve for Encumbrances	<u>74,478</u>	<u>0</u>	<u>74,478</u>
<i>Total Liabilities</i>	<u>\$ 90,945</u>	<u>\$ 12,557</u>	<u>\$ 103,502</u>
Fund Balances:			
Restricted	<u>\$ 370,763</u>	<u>\$ 137,192</u>	<u>\$ 507,955</u>
<i>Total Fund Balances</i>	<u>\$ 370,763</u>	<u>\$ 137,192</u>	<u>\$ 507,955</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 461,708</u>	<u>\$ 149,749</u>	<u>\$ 611,457</u>

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2017

	Building Fund	Child Nutrition Fund	Total June 30, 2017
Revenue Collected:			
Local Sources	\$ 342,126	\$ 5,950	\$ 348,076
Intermediate Sources	0	0	0
State Sources	0	60,532	60,532
Federal Sources	0	640,686	640,686
Non-Revenue Receipts	4,700	0	4,700
<i>Total Revenue Collected</i>	\$ 346,827	\$ 707,167	\$ 1,053,994
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	574,863	0	574,863
Operation of Non-Instructional Services	0	725,586	725,586
Facilities Acquisition and Construction	111,786	0	111,786
Other Outlays	4,700	0	4,700
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	\$ 691,348	\$ 725,586	\$ 1,416,934
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (344,522)	\$ (18,418)	\$ (362,940)
Adjustments to Prior Year Encumbrances	\$ 1,166	\$ 0	\$ 1,166
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ (0)	\$ (0)
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	\$ 0	\$ (0)	\$ (0)
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (343,356)	\$ (18,418)	\$ (361,775)
<i>Fund Balance - Beginning of Year</i>	714,119	155,610	869,730
<i>Fund Balance - End of Year</i>	\$ 370,763	\$ 137,192	\$ 507,955

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Special Revenue Funds
For the Year Ended June 30, 2017

	Building Fund			Child Nutrition Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 321,259	\$ 321,259	\$ 342,126	\$ 5,400	\$ 5,400	\$ 5,950
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	0	58,500	58,500	60,532
Federal Sources	0	0	0	565,200	565,200	640,686
Non-Revenue Receipts	0	0	4,700	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 321,259</u>	<u>\$ 321,259</u>	<u>\$ 346,827</u>	<u>\$ 629,100</u>	<u>\$ 629,100</u>	<u>\$ 707,167</u>
Expenditures Paid:						
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	1,035,378	1,035,378	574,863	0	0	0
Operation of Non-Instructional Services	0	0	0	784,710	784,710	725,586
Facilities Acquisition and Construction	0	0	111,786	0	0	0
Other Outlays	0	0	4,700	0	0	0
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 1,035,378</u>	<u>\$ 1,035,378</u>	<u>\$ 691,348</u>	<u>\$ 784,710</u>	<u>\$ 784,710</u>	<u>\$ 725,586</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (714,119)</u>	<u>\$ (714,119)</u>	<u>\$ (344,522)</u>	<u>\$ (155,610)</u>	<u>\$ (155,610)</u>	<u>\$ (18,418)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,166</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (714,119)</u>	<u>\$ (714,119)</u>	<u>\$ (343,356)</u>	<u>\$ (155,610)</u>	<u>\$ (155,610)</u>	<u>\$ (18,418)</u>
<i>Fund Balance - Beginning of Year</i>	<u>714,119</u>	<u>714,119</u>	<u>714,119</u>	<u>155,610</u>	<u>155,610</u>	<u>155,610</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 370,763</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 137,192</u>

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Regulatory Basis - Activity Fund
June 30, 2017

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 77,323
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 77,323</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>77,323</u>
<i>Total Liabilities</i>	<u>\$ 77,323</u>
Fund Equity:	
Unassigned	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 77,323</u>

Crooked Oak School District No.1-53, Oklahoma County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ended June 30, 2017

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Athletic	\$ 2,836	\$ 39,545	\$ 35,405	\$ 6,976
Band	2,850	4,833	4,403	3,280
Scholarship Fund	785	430	430	785
Softball	90	2,079	1,845	324
Elementary	11,093	62,293	63,982	9,405
21st Century Fees	510	590	1,100	0
FCA	373	0	0	373
Supt Activity Account	2,784	4,970	5,620	2,134
MS General	2,657	2,545	2,443	2,758
MS Honor Society	467	0	0	467
Crooked Oak Library	2,890	830	918	2,802
MS Cheerleaders	5,982	3,701	7,101	2,583
MS Student Council	1,157	632	1,325	465
HS General	1,646	2,849	2,478	2,018
HS Honor Society	138	0	0	138
Business Professional Assoc	285	14,473	8,604	6,154
HS Cheerleaders	6,598	3,805	7,980	2,422
Newspaper/Computer	646	452	663	435
Special Olympics	8,688	11,480	15,137	5,031
Yearbook	0	7,189	6,556	633
Coca Cola Fund	344	84	347	80
Central Oak Library	1,696	7,032	7,837	891
Football	495	134	412	218
Boys Basketball	285	330	460	155
BB Booster Tip-Off Club	83	0	0	83
HS Stuco	4,308	1,688	5,737	259
Alumni Scholarhsip Fund	1,287	100	51	1,336
Girl's Basketball	265	460	535	190
Open	0	50	0	50
Vice Family Scholarship Fund	7,137	5,000	6,351	5,786
AFROTC	3,559	41,508	39,980	5,088
Soccer	1,900	11,228	9,858	3,270
Class of 2018	0	6,308	4,435	1,873
MS/HS Art Fund	238	0	0	238
Class of 2017	3,803	6,507	4,068	6,242
HS Spanish Club	1,362	0	0	1,362
Cops Alumni	1,023	0	0	1,023
Total Activities	<u>\$ 80,260</u>	<u>\$ 243,126</u>	<u>\$ 246,063</u>	<u>\$ 77,323</u>

CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. 53 OKLAHOMA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass- Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2016	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2017	Indirect Costs Included In Federal Grant Expenditures
U.S. Department of Defense							
Direct Programs:							
ROTC	12.357	771	74,087	68,385	0	142,472	0
Total U.S. Department of Defense			74,087	68,385	0	142,472	0
U.S. Department of Education							
Direct Programs:							
Title VII-Indian Education (Note 4)	84.060A	561	0	0	8,732	(8,732)	0
Passed Through Oklahoma State Department of Education:							
Title I, Basic	84.010	511/541	(117,261)	524,119	533,541	(126,683)	0
Title I, School Support	84.010	515	0	90,212	90,338	(126)	0
Title I Cluster			(117,261)	614,331	623,879	(126,809)	0
IDEA-B Flowthrough	84.027	621	(73,088)	268,671	267,182	(71,599)	10,267
IDEA-B Preschool	84.173	641	(1,528)	6,150	5,135	(513)	0
Special Education Cluster			(74,616)	274,821	272,317	(72,112)	10,267
Title II, Part A	84.367	541	(2,084)	24,168	34,281	(12,197)	1,364
Title III, Part A-Language Inst	84.365	572	0	35,138	35,138	0	0
21st Century	84.287	553	(146,385.00)	378,918	312,610	(80,077)	10,936
Total U.S. Department of Education			(340,346.00)	1,395,761	1,286,957	(157,455)	22,567
U.S. Department of Agriculture							
Passed Through State Department of Education:							
Breakfast Program	10.553	764	29,292	127,479	127,479	29,292	0
Lunch Program	10.555	763	197,671	469,905	469,735	197,841	0
Summer Food Program	10.559	766	2,671	14,519	18,640	(1,450)	0
Fresh Fruit/Vegetables	10.582	768	0	28,782	28,782	0	0
Passed Through State Department of Human Services:							
Commodities Distributed-Lunch (Note 3)	10.565	N/A	0	50,702	50,702	0	0
Child Nutrition Cluster			229,634	691,387	695,338	225,683	0
Total U.S. Department of Agriculture			229,634	691,387	695,338	225,683	0
TOTAL FEDERAL ASSISTANCE			(36,625)	2,087,148	1,982,295	68,228	22,567

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 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 selected portion of the operations of the School, it is not intended and does not present the financial position, changes in net assets or cash flows of the School.

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

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

Note 4 – Title VII-Indian Education -The prior year SEFA showed a receivable of \$5,030. The school had expended funds in excess of their allocation but they were not to receive any funds above the allocation amount; therefore, we are showing the beginning receivable balance to be zero(0).

**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
Crooked Oak Independent School District #53
Oklahoma County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis, within the combined financial statements of **Crooked Oak Independent School District #53**, Oklahoma 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 financial statements and have issued our report thereon dated January 30, 2018. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Crooked Oak Independent School District #53**, Oklahoma 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 the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2017-001 through 2017-009).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Crooked Oak Independent School District #53, Oklahoma's, Response to Findings

Crooked Oak Independent School District #53, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
January 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education
Crooked Oak Independent School District #I-53
Oklahoma County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Crooked Oak Independent School District #I-53**, Oklahoma County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Crooked Oak Independent School District, I-1** Oklahoma County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **Crooked Oak Independent School District #I-53**, Oklahoma County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
January 30, 2018

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? No

Significant Deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards:

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

Internal Control Over Major Programs:

Material Weakness(es) identified? No

Significant Deficiencies identified not considered to be material weaknesses? No

Audit Findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)? No

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

Auditee Qualified as low-risk auditee? No

Identification of Major Programs:

CFDA#

84.010	Title I, Cluster
84.027, 84.173	Special Education Cluster

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

Findings-Financial Statement Audit

2017-001

Statement of Condition – During our testing of purchase orders, we noted that 15 of the 59 tested had an invoice that was dated prior to the purchase order. We also noted that 8 of the 59 tested did not have adequate documentation to support the expenditure.

Criteria – Per Oklahoma State Statute §70-5-135, “*before any purchase is completed, a purchase order or encumbrance must be issued*”. Also, “*No bill shall be paid unless it is supported by an itemized invoice clearly describing the items purchased, the quantity of each item, its unit price, its total cost and proof of receipt of such goods and services.*”

Cause/Effect of Condition – Failure to follow school procedures. The district could expend more than their legal appropriations or items could be ordered that would not have been approved by the purchasing officer.

Recommendation – The district should make sure no purchase is initiated without first obtaining an approved purchase order. The expenditure should be supported with adequate documentation.

2017-002

Statement of Condition – During our testing of the Special Olympic snacks and Blue & Gold meat sales fundraisers, we could not trace the receipts to the fundraiser total collected revenue. The school could not locate all the receipt books. Total receipts for each fundraiser was \$10,606.83 and \$6,083, respectively. Also, pre-numbered receipts were made but not given to the students for the Special Olympic snack sales.

Criteria – Per the Oklahoma Cost Accounting System, pre-numbered receipts should be issued whenever possible. An alternative procedure may be used to substantiate monies collected. Also, proper storage of receipt books should be implemented.

Cause/Effect of Condition – The sponsor was unaware that pre-numbered receipts should be issued. Failure to issue receipts could lead to monies being collected but not being deposited.

Recommendation – Pre-numbered receipts should be issued whenever possible. Also, receipts books should be kept for all activities.

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

2017-003

Statement of Condition – During our testing of Gates and Concession, we noted 5 of the 13 tested games did not timely deposit their collected money.

Criteria – Per Oklahoma State Statute §70-5-129, “*Deposits of funds subject to the requirements of this section shall be made by the end of the next business day; however, if the deposit for a day totals less than One Hundred Dollars (\$100.00), a school district may accumulate monies required to be deposited into the fund on a daily basis until the total accumulated balance of deposits equals or exceeds One Hundred Dollars (\$100.00).*”

Cause/Effect of Condition – Failure to follow school policy. Lack of internal controls could lead to money being stolen or lost if held for an extended period of time.

Recommendation – Money that is collected at gates and concessions that exceeds One Hundred Dollars (\$100.00) should be deposited no later than the next day, if possible.

2017-004

Statement of Condition – During our testing of expenditures, it appears the district paid the \$1,500.00 rental payment for the High School Building Lease out of bond money. This should have been paid out of the General or Building fund.

Criteria – Per Oklahoma State Statute §62-430.1, “*The payment for the lease or rental of real or personal property shall be made only from annual and supplemental appropriations specifically designated for such purpose, and no appropriation for the purpose of paying rentals on real or personal property shall be transferred or diverted to any other purpose, except as may be authorized by the terms of the agreement or by law.*”

Cause/Effect of Condition – The district was unaware that the \$1,500.00 needed to be paid out of General or Building fund. This led to money being spent out of the incorrect fund.

Recommendation – The district should pay the \$1,500.00 rental payment out of the General or Building fund.

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

2017-005

Statement of Condition – During our testing of Grants, we noted that ROTC expenditures were not being properly tracked with the appropriate OCAS project code.

Criteria –Any federal or state funds specifically allocated should track all expenditures for these funds with the appropriate OCAS project codes.

Cause/Effect of Condition –The school was not specifically coding any expenditures relating to the ROTC program. The expenditures should be tracked using OCAS project codes so the school can identify how the funds were expended.

Recommendation – The school should track expenditures for the ROTC Program using project code 771 or a local project code.

2017-006

Statement on Condition— During our testing of activity fund expenditures, we noted that 8 of the 50 tested purchase orders were dated after the invoice date. Also, we noted that 5 of the 50 tested purchase orders had not used the correct function code.

Criteria- A purchase order or requisition should initiate the purchasing process before a purchase is made. Purchase orders must also be coded correctly in order to classify purchases.

Cause/Effect of Condition— Failure to follow school policy. The district was unaware that the coding was incorrect. This could lead to OCAS data being improperly reported. A purchase could be made without proper approval or without adequate funds available.

Recommendation— We recommend that all expenditures be correctly classified per the Oklahoma Cost Accounting System manual. Also, a purchase order or requisition should initiate the purchasing process.

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

2017-007

Statement on Condition— During our testing of Payroll, we noted that the superintendent’s contract was not submitted to the state to reflect a bonus received. Crooked Oak ISD No. 53, Oklahoma County

Criteria— Per Oklahoma State Statute §70-5-141, “. Each school district shall file within fifteen (15) days of signing the contract, the employment contract of the superintendent of the school district with the State Department of Education. The Department shall keep all contracts available for inspection by the public. The school district shall not be authorized to pay any salary, benefits or other compensation to a superintendent which are not specified in the contract on file and shall not pay administrators any amounts for accumulated sick leave that are not calculated on the same formula used for determining payment for accumulated sick leave benefits for other full-time employees of that school district and shall not pay administrators any amounts for accumulated vacation leave benefits that are not calculated on the same formula used for determining payment for accumulated vacation leave benefits for other twelve-month full-time employees of that school district.”

Cause/Effect of Condition— This was an oversight, which caused the superintendent to be paid more than the amount on the contract filed with the State Department of Education.

Recommendation— We recommend all wages paid to superintendent be included on his contract. Should the superintendent receive a bonus, an amended contract should be submitted to the State Department of Education.

2017-008

Statement on Condition— During our testing of Payroll, we noted an employee contract was not signed.

Criteria— Per Oklahoma State Statute §70-6-101, “No person shall be permitted to teach in any school district of the state without a written contract.”

Cause/Effect of Condition— Management nor the employee was unaware that they did not sign the contract. This could lead to an invalid contract.

Recommendation— We recommend that all payroll contracts be signed by the employee and the school district to denote that the contract is valid and agreed upon.

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2017
(continued)

2017-009

Statement on Condition— During our testing of Payroll, we noted that employees were being paid from funds that were not reserved for the 2016-2017 year. The twelve month employees were paid on 7-14-17, but they were being paid for June 2017 work.

Criteria— Employees should be paid from the fiscal year in which the work was performed.

Cause/Effect of Condition— The school was not aware of this requirement. The pay for these employees was paid from the wrong fiscal year appropriations.

Recommendation— We recommend that funds that are for the previous year be reserved and paid accordingly.

Findings and Questioned Costs – Major Federal Award Programs Audit

(None Noted)

Crooked Oak ISD No. 53, Oklahoma County
Disposition of Prior Year Audit Findings
For Year Ended June 30, 2017

2016-001 - Finding

Statement of Condition – During our review of grant revenues received to the amount of grant expenditures, we noted the school had not coded enough expenditures in Project 362 Ace Remediation or Project 367 Reading Sufficiency to offset the amount of the state specific revenues received. Project 362 was undercoded by \$59,155.45 and Project 367 was undercoded by \$19,522.62.

Criteria – The school should try to code adequate expenditures to offset the specific state revenues received. This will provide a way of tracking how the state revenues received were expended should the state ever question how the funds were spent.

Cause/Effect of Condition – Management was not aware of the need to offset state revenues received. By not coding enough expenditures to offset specific state revenues received, the school is not able to show how the funds were expended or if they were expended at all for the specific project the state allocated the funds.

Recommendation – The school should try to code adequate expenditures to offset the specific state revenues received. This will provide a way of tracking how the state revenues received were expended should the state ever question how the funds were spent.

Current Status – The school did not track ROTC (project 771) expenditures to match revenues for the 2016-17 year. See finding 2017-005.

2016-002 - Finding

Statement of Condition - During our testing of 2015-16 year end reserves, we noted two expenditures that had been reserved from the 2005 Bond Fund that do not appear to be valid reserves. One of the reserves was to JHBR Architecture in the amount of \$50,725.12 and to Beasley Technology in the amount of \$28,774.66.

Criteria – Expenditures where the District has obligated themselves to purchase a good/service prior to June 30, 2016 should be reserved or encumbered out of the 2015-16 budget appropriations. If the District has no obligation or responsibility to pay the expenditure, no reserve should be established.

Cause/Effect of Condition –At the time when year end reserves were being evaluated, the Encumbrance Clerk was out on a medical leave. The other employees who were trying to fill in for the Encumbrance Clerk were not aware of the need to close out any unneeded reserves. The 2005 Bond Fund fund balance was understated by \$79,499.78.

Recommendation – The District should review all year end reserves to make sure they are valid obligations that should be reserved.

Current Status - This was noted during the 2016-17 year.

2016-003 - Finding

Statement of Condition : During transaction testing we noted the following:

**Activity Fund - Approximately 27% of invoices tested were dated prior to the date of the requisition requesting approval from the Activity Fund Custodian. We also noted that one invoice was not signed. Also there was one instance where an invoice was not present.

**Appropriated Funds - 15 of 86 invoices tested were dated prior to the date of the requisition requesting approval from the Encumbrance Clerk.

Criteria - Oklahoma School Law requires activity fund expenditures be approved by the Activity Fund Custodian (for the Activity Fund) or the Encumbrance Clerk (for Appropriated Funds) prior to the goods or services being ordered. It also requires payment to be made from an itemized invoice.

Cause/Effect of Condition –Sponsors are not following sound internal control procedures required by Oklahoma State Law. This puts the school at risk for purchasing items that are not approved expenditures for the particular sub account. It also does not give the Encumbrance Clerk the ability to check available appropriations prior to expending the funds from the appropriated accounts.

Recommendation – We recommend that purchase orders should initiate the purchasing process for both the activity funds and appropriated funds as required by Oklahoma State Law.

Current Status – We continued to note this as a finding for the 2016-17 year. See Finding 2017-006.

2016-004 - Finding

Statement of Condition - During testing of Activity Fund fundraisers we noted the following:

- There were not enough receipts issued to reconcile back to the total amount of deposits for the Elementary fund's Blue & Gold meat sale.

- The sponsors were not always writing receipts for the sale of t-shirts to the students. The Activity Fund Custodian was writing a receipt to the sponsor, but had no way of knowing if that was the actual amount of money collected due to the lack of receipts.

Criteria – Sponsors, or anyone who receives money for the school, should be issuing pre-numbered receipts to keep record of how much money was actually collected.

Cause/Effect of Condition - Employees are not always following proper procedures in regards to receipting money. Lack of internal controls could result in monies not being accounted for. Failure to follow the procedures increases the risk of fraud or misappropriation.

Recommendation – All sponsors should be issuing pre-numbered receipts whenever monies are collected from students. The receipts issued should be reconciled back to the actual cash collected. The sponsor should keep a copy of the receipt as well as providing a copy of the receipt or a list of receipt numbers when funds are given to the Activity Fund Custodian.

Current Status – We continued to note this during the 2016-17 year. See Finding 2017-002.

2016-005 - Finding

Statement of Condition - During our testing of the Activity Fund, we noted that money from the Elementary Blue and Gold fundraiser and various subaccount T-Shirt fundraisers were not always being deposited timely. We also noted a few instances where gate receipts from athletic events were not deposited in a timely manner.

Criteria – It is required by Oklahoma State Law that a school make daily deposits if the amount on hand is at least \$100.

Cause/Effect of Condition – Sponsors are not turning in money to the Activity Fund Custodian on a daily basis. Failure to follow daily receipting of activity funds could lead to an increased risk of fraud, loss or theft of funds or misappropriation.

Recommendation – The school should follow the Oklahoma State statute requiring the depositing of activity fund monies on a daily basis if in excess of \$100.

Current Status – We noted gates and concessions not being timely deposited for the 2016-17 year. See Finding 2017-003.

2016-006 - Finding

Statement of Condition – During our testing of payroll contracts we noted that the Superintendent was underpaid \$770.26

Criteria – School personnel should be paid their contract amount or other documented pay amounts.

Cause/Effect of Condition – The July and August payments to the Superintendent were paid based on the 2014-15 contract amounts. His salary was not updated with the new contract figures until September. The Superintendent was not paid his contract amount. He was underpaid by \$770.26

Recommendation – Contracts should be checked against salaries paid to make sure the amounts are correct.

Current Status – This was not noted for the 2016-17 year.

2016-007 - Finding

Statement of Condition - The District underpaid matching federal teacher's retirement on two employees being paid with Title 1 funds. One was underpaid \$104.27 and the other by \$139.89. Also, one employee being paid with IDEA-B funds had their matching federal teacher's retirement underpaid by \$79.73.

Criteria – The teacher retirement system requires the school to pay an 8.25% matching contribution on salaries paid with federal funds.

Cause/Effect of Condition - The District did not have these federal project codes setup to withhold the proper amount of federal matching teacher retirement; therefore, teacher retirement was underpaid.

Recommendation – The District should contact teacher retirement to discuss how to remit the underpaid amounts. In addition, the District needs to make sure its software is setup correctly to properly withhold teacher retirement in the future.

Current Status – This was not noted for the 2016-17 year.

2016-008 - Finding

Statement of Condition - The District is paying an employee who did not work any days in the 2015-16 year due to medical leave and who had exhausted all of his sick and personal days. The Superintendent stated that the reason for the continued payments was that the employee's life insurance had lapsed due to the negligence of District employees. He stated that they were trying to be fair with the employee during a time of need.

Criteria – Employees should be paid only for days worked based on a signed contract by the employee and the board of education.

Cause/Effect of Condition - The school was trying to be fair to the employee during his time of need. A person was being paid for services not performed.

Recommendation – The District should follow its sick leave policy for all covered employees. It should be noted that the District did enter into a settlement agreement with the employee. The District will not be paying the employee after 6-30-16.

Current Status – This was not noted for the 2016-17 year.

2016-009 - Finding

Statement of Condition - The District paid an invoice out of the 2015-2016 fiscal year appropriations that was for a three-day summer instructional camp that was attended in June of 2015.

Criteria – The invoice should have been paid using 2014-2015 year appropriations.

Cause/Effect of Condition - The school had not received an invoice from the camp prior to recording year end reserves. Also, the school failed to complete a purchase order for the camp out of the 2014-15 budget. Improper encumbrance procedures caused the fund balance to be overstated.

Recommendation – We recommend the District review all invoices before being paid to ensure funds are being spent out of the correct fiscal year.

Current Status – This was not noted during the 2016-17 year.

2016-010 - Finding

Statement of Condition For the months of July, August and the first half of September 2015, an employee was paid for working 6:30 am to 10 pm each day. The timesheets did not reflect any time off for lunch or for breaks. It is unreasonable to think an employee would work these hours each day. A new contract went into effect mid September for this employee.

Criteria – The Fair Labor Standards Act requires accurate time records be maintained by all non-exempt employees. Employees should be paid 1 1/2 their regular rate of pay anytime they work over 40 hours/work week. Contracts should be prepared/maintained for regular duties being performed.

Cause/Effect of Condition It appears the employee turned in inaccurate timesheets that don't reflect the actual work performed.

Recommendation – Contracts should be prepared for all regular job duties. All employees should be informed that timesheets are to reflect only time worked (lunch or extended breaks should not be included in time worked). The supervisor should review timesheets before they approve them to ensure they are accurate. The payroll clerk should inform management of questionable timesheets. Employees should be paid for all overtime shown on timesheets.

Current Status – This was not noted during the 2016-17 year.

2016-011 - Finding

Statement of Condition -The District received \$156.52 of revenue for the MAPS fund and spent the \$156.52. However, the District did not file the needed supplemental appropriation form with the county in order to budget and expend these funds.

Criteria –Prior to any expenditure from the MAPS fund, a budget appropriation should be filed and approved by the county. This gives legal authorization for the funds to be expended.

Cause/Effect of Condition - Oversight by management. Management is aware of the budgeting process but overlooked the need to file a supplemental appropriation for this minimum income received and spent.

Recommendation – Funds cannot be expended unless an approved budget has been submitted and approved by the county excise board.

Current Status – This was not noted during the 2016-17 year.

OTHER INFORMATION

Crooked Oak ISD No. 53, Oklahoma County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2017

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

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 *Crooked Oak Independent School District* for the audit year 2016-17.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2018.

Notary Public

My Commission Expires 07-01-2018

SCHOOL'S CORRECTIVE ACTION PLAN

CROOKED OAK PUBLIC SCHOOL DISTRICT

OKLAHOMA COUNTY

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2016-2017

AUDIT FINDING REFERENCE NUMBER: 2017-001

DESCRIPTION OF FINDING: During our testing of purchase orders, we noted that 15 of the 59 tested had an invoice that was dated prior to the purchase order. We also noted that 8 of the 59 tested did not have adequate documentation to support the expenditure.

CONTACT PERSON: April Dwyer

STEPS IMPLEMENTED:

1. Superintendent met with leads Jan 30, 2018 of all sites to explain finding, review the procedure that a PO must be in place prior to ordering materials or services. A signed meeting attendance and plan of action was put into place.
2. A procedure was put into place for an in-house audit of PO files to confirm compliance on a regular basis. (bimonthly)

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-002

DESCRIPTION OF FINDING: During our testing of the Special Olympic snacks and Blue &

Gold meat sales fundraisers, we could not trace the receipts to the fundraiser total collected revenue. The school could not locate all the receipt books. Total receipts for each fundraiser was \$10,606.83 and \$6,083, respectively. Also, pre-numbered receipts were made but not given to the students for the Special Olympic snack sales.

CONTACT PERSON: April Dwyer or John Tulak

STEPS IMPLEMENTED:

1. Superintendent met with lead of all sites Jan 30, 2018 to explained finding, review procedure to confirm reconciliation of candy sales/concessions and confirmed receipt process for all items. The meeting was documented and action plan put into place.
2. Encumbrance clerk set calendar reminder to remind all sites to send all receipt books over to administration office by fiscal year end. They will promptly be labeled and stored for future auditing purposes.

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-003

DESCRIPTION OF FINDING: During our testing of Gates and Concession, we noted 5 of the 13 tested games did not timely deposit their collected money.

CONTACT PERSON: April Dwyer

STEPS IMPLEMENTED:

1. Superintendent met with leads Jan 30, 2018 of all sites to explain finding. It was confirmed often times the bank is sending night drop deposits back without making the

deposit.

2. Encumbrance clerk discussed with FNB bank representative, Theresa Privette, the return policy on locked bags. Confirmed deposit is to be made if discrepancy in deposit is over the allotted amount and a deposit correction will be noted to ensure deposits are made on time.

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-004

DESCRIPTION OF FINDING: During our testing of expenditures, it appears the district paid the \$1,500.00 rental payment for the High School Building Lease out of bond money. This should have been paid out of the General or Building fund.

CONTACT PERSON: April Dwyer

STEPS IMPLEMENTED: The MAS coding system was corrected and the rent is currently being paid from the general fund.

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-005

DESCRIPTION OF FINDING: During our testing of Grants, we noted that ROTC expenditures were not being properly tracked with the appropriate OCAS project code.

CONTACT PERSON: April Dwyer and John Tulak

STEPS IMPLEMENTED: We acknowledge the payroll didn't adjust for expenditures to 771. It has been corrected to ensure we are not completing the same mistake for the next fiscal year.

COMPLETION DATE: January 31, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-006

DESCRIPTION OF FINDING: During our testing of activity fund expenditures, we noted that 8 of the 50 tested purchase orders were dated after the invoice date. Also, we noted that 5 of the 50 tested purchase orders had not used the correct function code.

CONTACT PERSON: April Dwyer

STEPS IMPLEMENTED:

1. Superintendent met with leads Jan 30, 2018 of all sites to explain finding, review the procedure that a PO must be in place prior to ordering materials or services. A signed meeting attendance and plan of action was put into place.
2. A procedure was put into place for an in-house audit of PO files to confirm compliance on a regular basis. (bimonthly)

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-007

DESCRIPTION OF FINDING: During our testing of Payroll, we noted that the superintendent's contract was not submitted to the state to reflect a bonus received. Crooked Oak
ISD No. 53, Oklahoma County

CONTACT PERSON: John Tulak

STEPS IMPLEMENTED: Although this was in our negotiated agreement and encompassed the superintendent our filing over to the state department was overlooked and noted for future occurrences.

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-008

DESCRIPTION OF FINDING: During our testing of Payroll, we noted an employee contract was not signed.

CONTACT PERSON: John Tulak

STEPS IMPLEMENTED: It was indeed an oversight. Further checks will be put into place to confirm it won't happen again.

COMPLETION DATE: January 30, 2018

AUDIT FINDING REFERENCE NUMBER: 2017-009

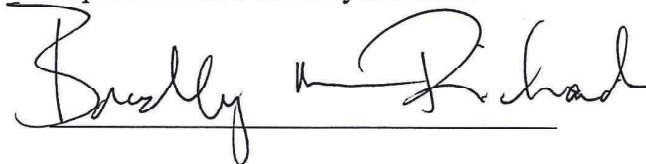
DESCRIPTION OF FINDING: During our testing of Payroll, we noted that employees were being paid from funds that were not reserved for the 2016-2017 year. The twelve month employees were paid on 7-14-17, but they were being paid for June 2017 work.

CONTACT PERSON: John Tulak

STEPS IMPLEMENTED: We recognize the issue and in the future will be sure to pay payroll out of the correct appropriated year by reserving entrusted amounts.

COMPLETION DATE: January 31, 2018

Superintendent: Bradley Richards



A handwritten signature in cursive script, reading "Bradley Richards", is written over a horizontal line.