

Crescent School District I-2
Logan County, Oklahoma
Financial Statements
Year-End June 30, 2019

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Logan County, Oklahoma
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements of Crescent School District, I-2, Logan County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's regulatory financial statements as listed in the table of contents.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Crescent School District, I-2, Logan County, Oklahoma as of June 30, 2019, the changes in its financial position for the year then ended.

Basis for Qualified Opinion on General Fixed Asset Account Group

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

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fixed Asset Account Group” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity arising from regulatory basis transactions of each fund type and account group of Crescent School District, I-2, Logan County, Oklahoma, as of June 30, 2019, and the revenues collected and expenses paid and budgetary results for the year then ended on the basis of accounting described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of Crescent School District I-2, Logan County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crescent School District I-2, Logan County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Crescent School District I-2, Logan County, Oklahoma's internal control over financial reporting and compliance.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
April 21, 2020

Crescent School District I -2
 Logan County, Oklahoma
 Combined Statement of Assets, Liabilities and Fund Equity
 Regulatory Basis – All Governmental Fund Type and Account Groups
 June 30, 2019

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (memorandum only - Note 1)
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long Term Debt	6/30/2019
Cash	\$ 980,576	\$ 20,826	\$ 23,235	\$ 206,538	\$ 187,335	\$ -	\$ 1,418,510
Amount available in							
Debt service fund	-	-	-	-	-	23,235	23,235
Trustee fund for debt service	-	-	-	-	-	8,557,488	8,557,488
Amounts to be provided for							
Capital leases	-	-	-	-	-	3,624,328	3,624,328
Retirement of general long term debt	-	-	-	-	-	981,765	981,765
Total Assets	<u>\$ 980,576</u>	<u>\$ 20,826</u>	<u>\$ 23,235</u>	<u>\$ 206,538</u>	<u>\$ 187,335</u>	<u>\$ 13,186,816</u>	<u>\$ 14,605,326</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 539,831	\$ 2,239	\$ -	\$ -	\$ -	\$ -	\$ 542,070
Due to others	-	-	-	-	187,335	-	187,335
Encumbrances	4,689	7,620	-	-	-	-	12,309
Capital leases payable	-	-	-	-	-	12,181,816	12,181,816
General obligation bonds payable	-	-	-	-	-	1,005,000	1,005,000
Total Liabilities	<u>544,520</u>	<u>9,859</u>	<u>-</u>	<u>-</u>	<u>187,335</u>	<u>13,186,816</u>	<u>13,928,530</u>
Fund Equity:							
Undesignated	436,056	10,967	23,235	206,538	-	-	676,796
Total Cash Fund Balances	<u>436,056</u>	<u>10,967</u>	<u>23,235</u>	<u>206,538</u>	<u>-</u>	<u>-</u>	<u>676,796</u>
Total Liabilities and Fund Equity	<u>\$ 980,576</u>	<u>\$ 20,826</u>	<u>\$ 23,235</u>	<u>\$ 206,538</u>	<u>\$ 187,335</u>	<u>\$ 13,186,816</u>	<u>\$ 14,605,326</u>

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

Crescent School District I -2
Logan County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances
Regulatory Basis – All Governmental Fund Type
For the Year Ended June 30, 2019

	Governmental Fund Types				Total (memorandum only - Note 1) June 30, 2019
	General	Special Revenue	Debt Service	Capital Projects	
Revenues collected:					
Local sources	\$ 1,096,555	\$ 140,553	\$ 1,051,194	\$ 1,296	\$ 2,289,598
Intermediate sources	157,444	-	-	-	157,444
State sources	2,729,269	3	19	-	2,729,291
Federal sources	776,537	-	-	-	776,537
Total Revenues Collected	<u>\$ 4,759,805</u>	<u>\$ 140,556</u>	<u>\$ 1,051,213</u>	<u>\$ 1,296</u>	<u>\$ 5,952,870</u>
Expenditures paid:					
Instruction	\$ 2,996,401	\$ -	\$ -	\$ -	\$ 2,996,401
Support services	1,364,573	170,445	-	21,946	1,556,964
Non-Instructional services	190,884	-	-	-	190,884
Facilities acquisition and construction services	<u>300</u>	<u>-</u>	<u>-</u>	<u>865,461</u>	<u>865,761</u>
Debt service:					
Principal payments	-	-	1,965,000	-	1,965,000
Interest and fiscal agent fees	<u>-</u>	<u>-</u>	<u>40,380</u>	<u>-</u>	<u>40,380</u>
Total expenditures paid	<u>4,552,158</u>	<u>170,445</u>	<u>2,005,380</u>	<u>887,407</u>	<u>7,615,390</u>
Excess of revenues collected over (under) expenditures paid	207,647	(29,889)	(954,167)	(886,111)	(1,662,520)
Other financing sources:					
Bond sale proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005,000</u>	<u>\$ 1,005,000</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	207,647	(29,889)	(954,167)	118,889	(657,520)
Cash fund balances, beginning of year	<u>228,409</u>	<u>40,856</u>	<u>977,402</u>	<u>87,649</u>	<u>1,334,316</u>
Cash fund balances, end of year	<u>\$ 436,056</u>	<u>\$ 10,967</u>	<u>\$ 23,235</u>	<u>\$ 206,538</u>	<u>\$ 676,796</u>

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

Crescent School District I -2

Logan County, Oklahoma

Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund Balances – Budget and Actual

Regulatory Basis – Budgeted Governmental Fund Types

For the Year Ended June 30, 2019

	General Fund				Building Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Beginning cash fund balances - Budgetary basis	\$ 228,409	\$ 228,409	\$ 228,409	\$ -	40,856	40,856	40,856	\$ -
Revenues collected:								
Local sources	1,069,752	1,069,752	1,096,555	26,803	184,586	184,586	140,553	(44,033)
Intermediate sources	146,803	146,803	157,444	10,641	-	-	-	-
State sources	2,744,089	2,744,089	2,729,269	(14,820)	3	3	3	-
Federal sources	413,688	413,688	776,537	362,849	-	-	-	-
Total Revenues Collected	<u>\$ 4,374,332</u>	<u>\$ 4,374,332</u>	<u>\$ 4,759,805</u>	<u>\$ 385,473</u>	<u>\$ 184,589</u>	<u>\$ 184,589</u>	<u>\$ 140,556</u>	<u>\$ (44,033)</u>
Expenditures paid:								
Instruction	2,997,000	2,997,000	2,996,401	(599)	-	-	-	-
Support services	1,367,000	1,367,000	1,364,573	(2,427)	171,000	171,000	170,445	(555)
Non-Instructional services	191,000	191,000	190,884	(116)	54,445	54,445	-	(54,445)
Facilities acquisition and construction service	-	-	300	300	-	-	-	-
Other outlays	47,741	47,741	-	(47,741)	-	-	-	-
Total Expenditures paid	<u>\$ 4,602,741</u>	<u>\$ 4,602,741</u>	<u>\$ 4,552,158</u>	<u>\$ (50,583)</u>	<u>\$ 225,445</u>	<u>\$ 225,445</u>	<u>\$ 170,445</u>	<u>\$ (55,000)</u>
Excess of revenues collected over (under) expenditures paid	(228,409)	(228,409)	207,647	436,056	(40,856)	(40,856)	(29,889)	10,967
Adjustment to prior year encumbrances	-	-	-	-	-	-	-	-
Ending cash fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,056</u>	<u>\$ 436,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,967</u>	<u>\$ 10,967</u>

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

Crescent School District I -2
Logan County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Cash Fund
Balances – Budget and Actual
Regulatory Basis – Budgeted Governmental Fund Types
For the Year Ended June 30, 2019

	Debt Service Fund			
	Original	Final	Actual Budgetary	Variance
	Budget	Budget	Basis	
Beginning cash fund balances - Budgetary basis	\$ 8,397	\$ 8,397	977,402	\$ (969,005)
Revenues collected:				
Local sources	1,027,978	1,027,978	1,051,194	23,216
State sources	-	-	19	19
Total Revenues Collected	\$ 1,027,978	\$ 1,027,978	\$ 1,051,213	\$ 23,235
Expenditures paid:				
Debt service:				
Principal payments	1,015,000	1,015,000	1,015,000	-
Interest and fiscal agent fees	21,375	21,375	21,375	-
Total Expenditures Paid	\$ 1,036,375	\$ 1,036,375	\$ 1,036,375	\$ -
Excess of revenues collected over (under) expenditures paid	-	-	992,240	23,235
Ending cash fund balances budgetary basis	\$ -	\$ -	\$ 992,240	\$ (945,770)

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

Actual amounts "Ending Cash Balances" from budgetary comparison Schedule:	992,240
Adjustments for Bond and Interest Accruals:	(969,005)
Ending Cash Balances as reported on the State of Revenues Collected, Expenditures Paid and Changes in Fund Balances	<u>\$ 23,235</u>
Actual amounts "Total Expenditures paid" from budgetary comparison Schedule:	1,036,375
Adjustments for Bond and Interest Accruals:	969,005
Total expenditures paid as reported on the State of Revenues Collected, Expenditures Paid and Changes in Fund Balances	<u>\$ 2,005,380</u>

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies

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

A. The Reporting Entity

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

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

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies – (continued)

B. Fund Accounting – (continued)

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

Fiduciary Fund Types

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

Account Groups

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

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

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

Memorandum Only - Total Column

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies – (continued)

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

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

Noncash Transactions - The District received federal food commodities in the amount of \$13,823. In addition, the State of Oklahoma paid \$35,041 directly to the teacher retirement fund on behalf of the District's employees.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. *Summary of Significant Accounting Policies – (continued)*

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for the purposes of taking public comments. The final budget may be revised upon approval of the board of education in open meeting.

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. Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to subsequent year.

E. Assets Liabilities and Fund Equity

Investment - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policies are governed by *Oklahoma Statutes*. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, banks and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal depository insurance.

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies – (continued)

E. Assets Liabilities and Fund Equity – (continued)

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by for a period of three years or more as of the date such taxes first become due, the property is offered for sale for the amount of taxes due.

Inventories - The value of consumable inventories at June 30, 2019 is not material to the financial statements.

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

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

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

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

F. Revenue, Expenses and Expenditures

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

1. *Summary of Significant Accounting Policies – (continued)*

F. Revenue, Expenses and Expenditures (continued)

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

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

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

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

2. *Cash*

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2019, cash deposits were fully insured or collateralized by a pledging bank's agent in the District's name. All funds were held as demand deposits at a local bank.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

3. General Long Term Debt

State statute prohibit the District from becoming indebted in an amount exceeding the revenue received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. Those bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2019:

	<u><i>Bonds Payable</i></u>	<u><i>Capital Leases</i></u>
Balance July 1, 2018	\$ 1,965,000	\$ 2,910,142
Additions	1,005,000	9,960,000
Retirements	<u>(1,965,000)</u>	<u>(688,326)</u>
Balance June 30, 2019	<u>\$ 1,005,000</u>	<u>\$ 12,181,816</u>

General Obligation Bonds

A brief description of the outstanding general obligations issues at June 30, 2019, is set forth below:

	<i>Amount Outstanding</i>
Logan Co. OK ISD # 2 Building Bonds of 2018, original issue \$1,005,000, interest rate 3.00%, due in annual installment of \$1,005,000 due July 1, 2020	 <u>\$ 1,005,000</u>

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

<u><i>Year Ended June 30,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2020	-	30,150	\$ 30,150
2021	<u>1,005,000</u>	<u>30,150</u>	<u>1,035,150</u>
Total	<u>\$ 1,005,000</u>	<u>\$ 60,300</u>	<u>\$ 1,065,300</u>

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

3. General Long Term Debt – (continued)

Capital Leases

The District enters into lease agreements as lessee for financing the acquisition of equipment. For accounting purposes since lease term is greater than 75% of the useful life of the equipment, it has been recorded at the present value of the future minimum lease payments. The District entered into a lease agreement for six copiers in the amount of \$28,870 at an interest of 4.92% payable in 55 monthly payments of \$588.

The District has entered into financing arrangement to complete various construction projects. These financing arrangements are accounted for as capital leases, since for accounting purposes the title transfers at the end of the lease term. The District entered into a lease purchase agreement to finance the construction of various projects in the amount of \$4,177,000 at interest rate of 3.7% payable in ten annual installments. The District entered into a lease purchase agreement to finance the construction of various projects in the amount of \$6,885,000 an imputed interest rate of approximately 3.12% payable in eleven annual installments. The District also entered into a lease purchase agreement to finance construction projects in the amount of \$3,075,000 at an interest rate of 3.250% payable in two annual installments. Further discussions of the financing arrangements are discussed in Note 8.

The leases contain a clause which provides the ability to terminate the agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the general long-term debt group.

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

<u>Year Ended June 30,</u>	<u>Amount Due</u>
2020	\$ 941,007
2021	4,241,221
2022	1,027,219
2023	1,702,019
2024	691,769
2025-2029	<u>5,431,206</u>
	14,034,441
Less: Interest	<u>(1,852,625)</u>
Total	<u>\$ 12,181,816</u>

Interest expense on general long-term debt incurred during the current year totaled \$223,508.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

Pledged Revenues

Property tax revenues collected by the District are pledged to repay the District's General Obligation Bonds. Proceeds from the bonds were used for transportation needs and various construction projects for the District from the voter approved uses in the bond election in February 2012 and August 2016. The bonds are payable solely from the pledged revenues and are payable through 2021. As of June 30, 2019, \$1,005,000 general obligation bonds were outstanding and \$10,960,000 of general obligation bonds were authorized but not issued. Current revenues collected were \$1,040,335 and payments of \$1,965,000 principal and interest expense toward general obligation bonds.

4. *Employee Retirement System*

Teachers' Retirement System of Oklahoma

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2019, qualifying employee contributions were reduced by a retirement credit of \$35,041 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2019, the District had a statutory contribution rate of 9.5% plus 7.70% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2019, the District contributions to the System for were \$276,296.

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

5. *Other Post-Employment Benefits (OPEB)*

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers' Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS).

Plan Description – The OPEB System provides pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

Benefits Provided – All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments made on the retirees' behalf to the Employees Group Insurance Division of the Office of Management and Enterprise Services, if the member continues health coverage under that Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.07% of normal cost, as determined by an actuarial valuation.

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

6. *Commitments and Contingencies*

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

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

7. *Risk Management*

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

8. *Ground Lease and Sublease Agreements*

February, 2012, the District executed a ground lease agreement and sublease agreement with Standard Capital Finance LLC (the Lessor). The District will lease items of real property and equipment until such time as all payments due under the terms of the Lease/Purchase Agreement have been paid in full. The Lessor has sub-leased the property covered by the ground lease to the District. The District will receive a release for the real and/or personal property for the specific part of the Project associated with each lease payment. The lease includes a non-appropriation clause for annual renewal. If the agreement is terminated in accordance with non-appropriation clause, the District will have to transfer any facilities that have not been released by payment.

April 2018, the District executed a ground lease agreement and sublease agreement with Crescent Economic Development Authority, a public trust, (the Authority). The District will lease items of real property and equipment until such time as all payments due under the terms of the Lease/Purchase Agreement have been paid in full. The Authority has sub-leased the property covered by the ground lease to the District. The District will receive a release for the real and/or personal property for the specific part of the Project associated with each lease payment. The lease includes a non-appropriation clause for annual renewal. If the agreement is terminated in accordance with non-appropriation clause, the District will have to transfer any facilities that have not been released by payment.

May 2018, the District executed a ground lease agreement and sublease agreement with F&M Bank (the Lessor). The District will lease items of real property and equipment until such time as all payments due under the terms of the Lease/Purchase Agreement have been paid in full. The Lessor has sub-leased the property covered by the ground lease to the District. The District will receive a release for the real and/or personal property for the specific part of the Project associated with each lease payment. The lease includes a non-appropriation clause for annual renewal. If the agreement is terminated in accordance with non-appropriation clause, the District will have to transfer any facilities that have not been released by payment. This lease purchase will be liquidated with federal funds from which the District received a FEMA grant.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

8. *Ground Lease and Sublease Agreements (continued)*

The District has pledged \$10,960,000 of future issuances of general obligation bonds to repay \$6,885,000 plus interest lease revenue bonds with Crescent Economic Development Authority (CEDA) and the remaining portion of the 2012 lease purchase agreement with Standard Capital Finance. Proceeds from the lease revenue bonds and lease purchase agreements are to be for the construction and placement of improvements on real property. The general obligation bonds will be issued prior to the payment due of the lease purchase payments to the lessor of respective lease purchase agreements.

As of June 30, 2019 the District has issued and outstanding of \$1,005,000 general obligation bonds of the original \$16,220,000 authorized by voters. In July, 2019, the District sold an additional \$1,025,000 in general obligation bonds. There is \$9,935,000 remaining authorized but unissued as of the date of this report.

9. *Tax Abatement*

The State of Oklahoma has authorized by Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to Ad Valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District. For the year ended June 30, 2019, the District had approximately \$69,000 in abated ad valorem tax revenues.

10. *Subsequent Event*

July 2019, The District issued \$1,025,000 of General Obligation Building Purpose Bonds of 2019. \$1,025,000 is due on July 1, 2021 bearing an interest of 2.15%. Property tax revenues are pledged to repay this obligation.

August 2019 the District received an extension to repay the F&M \$3,075,000 lease purchase agreement which first payment would not be required till August 2020. As of report date, they have subsequent received \$1,917,487 in federal funds which were remitted for the lease purchase payments.

On March 11, 2020 the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic. The duration and impact are unknown, but so far have been expansive. As of report date, the estimated effect cannot be determined.

Crescent School District I -2
Logan County, Oklahoma
Notes to Combined Financial Statements
June 30, 2019

10. Subsequent Event (continued)

April 2020, the District has authorized a sale of \$1,050,000 of Combined Purpose Building Bonds of Independent School District No.2 of Logan County, Oklahoma to be held on May 20th, 2020.

The District has evaluated subsequent events through April 21, 2020, the date which the financial statements were available to be issued.

Crescent School District I -2
Logan County, Oklahoma
Supplementary Schedule
Combining Statement of Assets, Liabilities and Fund Equity – Regulatory Basis
All Capital Project Funds
June 30, 2019

	Building Bond Fund 34	Transportation Bond Fund 35	Building Bond (2017) Fund 37	Total Capital Project Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 48,142	\$ -	\$ 158,396	\$ 206,538
Total Assets	<u>\$ 48,142</u>	<u>\$ -</u>	<u>\$ 158,396</u>	<u>\$ 206,538</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity:				
Unreserved:				
Undesignated	<u>48,142</u>	<u>-</u>	<u>158,396</u>	<u>206,538</u>
Total Cash Fund Balances	<u>48,142</u>	<u>-</u>	<u>158,396</u>	<u>206,538</u>
Total Liabilities and Fund Equity	<u>\$ 48,142</u>	<u>\$ -</u>	<u>\$ 158,396</u>	<u>\$ 206,538</u>

Crescent School District I -2
Logan County, Oklahoma
Supplementary Schedule
Combining Statement of Revenues Collected, Expenditures Paid and
Changes in Cash Fund Balances – Regulatory Basis
All Capital Project Funds
For the Year Ended June 30, 2019

	Building Bond Fund 34	Transportation Bond Fund 35	Building Bond (2017) Fund 37	Total Capital Projects
Revenues collected:				
Local sources	\$ 272	\$ -	\$ 1,024	\$ 1,296
Federal sources	-	-	-	-
Total Revenues Collected	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ 1,296</u>
Expenditures paid:				
Support services	\$ 5,800	\$ 58	\$ 16,088	\$ 21,946
Facilities acquisition and construction services	-	-	865,461	865,461
Total expenditures paid	<u>\$ 5,800</u>	<u>\$ 58</u>	<u>\$ 881,549</u>	<u>\$ 887,407</u>
Excess of revenues collected over (under) expenditures paid	<u>\$ (5,528)</u>	<u>\$ (58)</u>	<u>\$ (880,525)</u>	<u>\$ (886,111)</u>
Other financing sources:				
Bond sale proceeds	<u>-</u>	<u>-</u>	<u>1,005,000</u>	<u>1,005,000</u>
Excess of revenues collected and other sources over (under) expenditures paid and other uses	\$ (5,528)	\$ (58)	\$ 124,475	\$ 118,889
Cash fund balances, beginning of year	<u>53,670</u>	<u>58</u>	<u>33,921</u>	<u>87,649</u>
Cash fund balances, end of year	<u><u>\$ 48,142</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 158,396</u></u>	<u><u>\$ 206,538</u></u>

Crescent School District I -2
Logan County, Oklahoma
Supplementary Schedule
Combining Statement of Changes in Cash Balances – Regulatory Basis
Activity Funds
For the Year Ended June 30, 2019

	BEGINNING BALANCE	RECEIPTS	CHECKS	ENDING BALANCE
Elementary	\$ 26,925	\$ 13,962	\$ 17,162	\$ 23,725
Athletics	15,740	65,136	48,519	32,357
Concessions	3,829	26,342	26,657	3,514
Band	2,596	301	223	2,674
Beta Club	1,419	585	966	1,038
Varsity Cheerleaders	2,030	24,720	13,832	12,918
Jr. High Cheerleaders	5,360	10,949	10,326	5,983
FCA	20	-	-	20
FFA	24,258	53,738	54,741	23,255
Interest Account	4,352	1,131	1,980	3,503
Art Club	7,212	6,909	7,921	6,200
FCCLA	8,160	9,653	9,622	8,191
Library	863	5,663	5,576	950
Yearbook	7,284	5,593	7,915	4,962
Athletic Fundraiser	23,970	36,682	27,122	33,530
Refunds	-	20	20	-
21st Century	676	69	24	721
High School Misc	1,846	502	865	1,483
Student Council	3,422	2	2,709	715
BPA	1,097	390	944	543
Middle School	2,185	1,910	2,023	2,072
Tiger Sports Complex	11	300	302	9
Color Gurad	1,082	-	-	1,082
Science Fair	1,560	-	-	1,560
Laptop	5,367	6,275	10,103	1,539
American History	368	-	-	368
Special Ed	1,273	626	529	1,370
Class of 2017	-	-	-	-
Class of 2018	200	-	-	200
Class of 2019	1,896	140	1,587	449
Stadium Seating	4,776	1,375	559	5,592
Class of 2020	638	8,825	8,013	1,450
Class of 2021	393	175	73	495
Class of 2022	100	435	75	460
Class of 2023	70	-	-	70
Vocal	120	-	-	120
CEA	137	5,694	1,614	4,217
Child Nutrition	-	26,736	26,736	-
	<u>\$ 161,235</u>	<u>\$ 314,838</u>	<u>\$ 288,738</u>	<u>\$ 187,335</u>

Crescent School District I -2
Logan County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2018	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2019
U.S. Dept. of Education						
<i>Direct Program:</i>						
Title IX - Indian Education, Part A	84.060A	561	\$ (4,585)	\$ 17,915	\$ 17,915	\$ (4,585)
Rural Education	84.358	588	(162)	-	-	(162)
Project Pathways	84.215E	775	467	-	-	467
<i>Passed Through State Department of Education:</i>						
IDEA-B Flow Through	84.027	621	-	118,357	118,357	-
IDEA-B Preschool	84.173	641	-	3,270	3,270	-
Special Education Cluster			-	121,627	121,627	-
Title I, Grants to Local Education Agencies	84.010	511/515	-	213,329	213,329	-
Title VI- Part B	84.358	587	-	4,868	4,868	-
Twenty-First Century Community Learning Centers	84.287	553	(83,720)	281,478	237,138	(39,380)
Title II - Part A, Improving Teacher Quality through State Grants	84.367	541	(4,983)	4,983	-	-
Total U.S. Department of Education			\$ (92,983)	\$ 644,200	\$ 594,877	\$ (43,660)

See accompanying notes to schedule of expenditures of federal awards

Crescent School District I -2
Logan County, Oklahoma
Supplementary Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Project Number	Balance 6/30/2018	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2019
U.S. Department of Agriculture:						
<i>Passed Through State Department of Education:</i>						
Child and Adult Care Food Program	10.558	769	\$ 21,072	\$ 31,792	\$ 31,792	\$ 21,072
Child Nutrition Cluster						
National School Lunch Program	10.555	763	\$ -	\$ 76,094	\$ 75,443	\$ 651
School Breakfast Program	10.553	764	15,793	18,186	18,186	15,793
	10.559	766	2,659	6,266	6,266	2,659
Cash Assistance Subtotal			18,452	100,546	99,895	19,103
<i>Passed Through State Department of Human Services:</i>						
National School Lunch Program- Commodities	10.555		-	13,823	13,823	-
Non-Cash Assistance Subtotal			-	13,823	13,823	-
Child Nutrition Cluster Total			\$ 18,452	\$ 114,369	\$ 113,718	\$ 19,103
Total U.S. Department of Agriculture			\$ 39,524	\$ 146,161	\$ 145,510	\$ 40,175
Total Expenditures of Federal Awards			\$ (53,459)	\$ 790,361	\$ 740,387	\$ (3,485)

See accompanying notes to schedule of expenditures of federal awards

Crescent School District I -2
Logan County, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Crescent School District I-2 Logan County, Oklahoma under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Crescent School District I-2 Logan County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Crescent School District I-2 Logan County, Oklahoma.

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

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

Note D: Subrecipients

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

Note E: Transfers between Federal Programs

Crescent School District I-2 Logan County, Oklahoma received \$54,014 for program CFDA#84.367 Title II, Part A Funds and \$13,258 for program CFDA#84.424A Title IV-21st Century Schools Part A, Student Support and Academic Enrichment Formula, which were allowed to be transferred to be used for Title I CFDA#84.010, and thus was reported above in the Title I revenues to agree with corresponding expenditures.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements of Crescent School District I-2, Logan County Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Crescent School District I-2, Logan County Oklahoma's basic regulatory financial statements and have issued our report thereon dated April 21, 2020. Our report included an adverse opinion on U.S. Generally Accepted Accounting Principles and a qualified opinion due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

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

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

accompany schedule of findings and responses as items 2019-002, 2019-003 & 2019-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crescent School District I-2, Logan County Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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



Ardmore, Oklahoma

April 21, 2020

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2019

2019-001 Financial Reporting

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

Criteria: The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of disclosure requirements should be designated to oversee the preparation of the financial statements.

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

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

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

*Views of Responsible Officials
and Planned Corrective*

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

2019-002 Extra Duty

Condition: Extra duty amounts paid were not properly supported.

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

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Cause: During implementation of new procedures related to extra duty payroll, this was an oversight of getting this area properly documented.

Context: Twenty five percent of extra duty tested was not properly supported.

Effect: Potential that amounts paid to employees are unauthorized.

Recommendation: We recommend that the District review extra duty sheets to ensure that extra duty sheets have signatures of workers and supervisor before payment is made.

*Views of Responsible Officials
and Planned Corrective*

Action: District will continue to stress the importance of having the workers and supervisors sign extra duty documentation and make sure to review prior to payment.

2019-003 Segregation of Duties – Treasurer

Condition: Lack of segregation of duties over cash receipts.

Criteria: An adequately designed internal control system separates duties over handling cash between custody, approval and recordkeeping.

Cause: During implementation of procedures related segregation of duties it was misunderstood the mail log should be completed by an independent person from treasurer.

Effect: The treasurer performs opening of mail, preparing mail log, posting of cash receipts and preparing the deposit and reconciling bank statements.

Recommendation: We recommend that another staff member open the mail and prepare a mail log of the checks received. Then the checks received can be given to the treasurer for deposit. Then at month-end, someone other than treasurer needs to reconcile the mail log to the deposits on the bank statements.

*Views of Responsible Officials
and Planned Corrective*

Action: District has taken into consideration the recommendation and has implemented new procedures.

Crescent School District I -2
Logan County, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2019

2019-004 Grant Management of Federal Expenditures

Condition: Non-federal expenditures were improperly coded as federal.

Criteria: An adequately designed internal control system should be implemented to ensure federal expenditures coded are supported and in agreement with the grant activity of the District.

Cause: Errors in the coding of purchase orders rolled forward from prior fiscal year. In addition, errors occurred in adjustments posted to federal expenditures after the close out of year end OCAS data.

Effect: Overstatement of federal expenditures.

Recommendation: We recommend that federal expenditures per OCAS data be compared to the Grants Management System to ensure amounts are in agreement. This should be done before final claims are submitted as well as before final OCAS data is submitted.

*Views of Responsible Officials
and Planned Corrective*

Action: District has taken into consideration the recommendation and has implemented new procedures.

2019-005 Activity Fund Receipts

Condition: Teacher sponsor supporting receipts/documentation did not agree with the financial secretary receipts.

Criteria: An adequately designed internal control system should be implemented to ensure that the teacher sponsor receipts are in agreement with the financial secretary receipt deposited.

Cause: One out of twenty five receipts tested did not have proper documentation to support the financial secretary receipted amount.

Effect: Risk of misappropriation of funds.

Recommendation: We recommend that teacher sponsors be reminded to make sure they have proper support for the funds collected. The sponsor receipts need to agree to the financial secretary receipts.

*Views of Responsible Officials
and Planned Corrective*

Action: District has taken into consideration the recommendation and has implemented new procedures.

Crescent School District I -2
Logan County, Oklahoma
Summary of Prior Year Findings
For the Year Ended June 30, 2019

2018-001 Financial Reporting

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

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

Current Status: Condition still exists, see current year finding 2019-001

2018-002 Contracts and Extra Duty

Condition: Amounts paid to employees performing gatekeeper duties were not properly documented including employee and supervisors signatures. Also, amounts paid did not agree with contracts.

Recommendation: The Auditor recommend that the District have an independent review of amounts once entered into computer. Also, gate keeper extra duty sheets need to have signatures of workers and the supervisor before payment is made.

Current Status: Condition related to contracts has been resolved. Condition still exists related to extra duty, see current year finding 2019-002

Crescent School District I -2
Logan County, Oklahoma
Statement of Statutory Fidelity, and Honesty Bonds (unaudited)
For the Year Ended June 30, 2019

The District has a Blanket Position Schedule Bond with CAN Surety Company. The bond number is 18193344 dated October 28, 2018 to October 28, 2019. The positions covered and amount of coverage are as follows:

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

The treasurer is bonded by Ohio Casualty, bond number 3874055, for the term July 11, 2018 to July 11, 2019, in the amount of \$50,000.

Crescent School District I -2
Logan County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2019

State of Oklahoma)

County of Carter)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Crescent School District I -2 for the audit year 2018-2019.

MARY E. JOHNSON & ASSOCIATES, PLLC

Mary E. Johnson

BY: _____
Authorized Agent

Subscribed and sworn to before me on this 24th day of, April, 2020.

Jillian Luker

Notary Public

Commission Number: _____

My commission expires on: _____

