

**South Oklahoma City Area
School District**
(A Component Unit of
Oklahoma City Community College)

Financial Statements

June 30, 2020
(With Independent Auditors' Reports Thereon)



**SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Oklahoma City Area School District
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the South Oklahoma City Area School District (the "District"), a component unit of Oklahoma City Community College, which is comprised of the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, 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 accounting principles generally accepted in the United States; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and *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 from 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 audit opinion.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

Other Matters

Accounting principles generally accepted in the United States require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries 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 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 October 14, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and on 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 14, 2020

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2020

Introduction

The management’s discussion and analysis of the activities and financial performance of South Oklahoma City Area School District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- During the year ended June 30, 2020, the District’s net position increased to \$21,840,210 from \$20,451,285 in 2019 primarily due to an increase in cash from building levy funds held for future capital needs, tax funds held for future operational needs and an increase in investment income.
- Operating revenues remained the same, while nonoperating revenues increased by \$472,254. This increase is due primarily to an increase in tax revenues.
- Operating expenses increased to \$7,559,628 in 2020 from \$6,485,618 in 2019 primarily as a result of a \$1 million increase in technical education reimbursement to Oklahoma City Community College and slight increases in depreciation and other operating expenses.

Using this Annual Report

The District presents its financial statements in accordance with the business-type activities format as designated by the District’s primary government, the Oklahoma City Community College. Accordingly, the financial statements include the management’s discussion and analysis (as required supplementary information); the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and the notes to financial statements.

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any school district’s finances is, “Is the district as a whole better or worse off as a result of the year’s activities?” The statements of net position and revenues, expenses, and changes in net position report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Using the accrual basis of accounting means that all of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**The Statements of Net Position and
Revenues, Expenses, and Changes in Net Position, Continued**

These two statements report the District's net position and changes in it. The District's net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in requirements of the programs funded by the District, in addition to the condition of its physical facilities, should also be considered to assess the overall financial health of the District.

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased in 2020 from 2019 as shown:

Table 1: Assets, Liabilities, and Net Position

	<u>2020</u>	<u>June 30,</u> <u>2019</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Assets				
Current assets	\$ 5,427,147	5,912,342	(485,195)	-8%
Noncurrent assets:				
Noncurrent restricted cash	10,703,196	8,463,854	2,239,342	26%
Capital assets, net	<u>5,710,723</u>	<u>6,075,294</u>	<u>(364,571)</u>	-6%
Total assets	<u>21,841,066</u>	<u>20,451,490</u>	<u>1,389,576</u>	7%
Liabilities				
Current liabilities	<u>856</u>	<u>205</u>	<u>651</u>	318%
Total liabilities	<u>856</u>	<u>205</u>	<u>651</u>	318%
Net Position				
Net investment in capital assets	5,710,723	6,075,294	(364,571)	-6%
Restricted for capital expenditures	10,703,196	8,463,854	2,239,342	26%
Unrestricted	<u>5,426,291</u>	<u>5,912,137</u>	<u>(485,846)</u>	-8%
Total net position	<u>\$ 21,840,210</u>	<u>20,451,285</u>	<u>1,388,925</u>	7%

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The District's Net Position, Continued

Table 2: Operating Results and Changes in Net Position

	Years Ended June 30,		Increase	%
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>Change</u>
Operating revenues	\$ 1	1	-	0%
Operating expenses	<u>(7,559,628)</u>	<u>(6,485,618)</u>	<u>(1,074,010)</u>	17%
Operating loss	<u>(7,559,627)</u>	<u>(6,485,617)</u>	<u>(1,074,010)</u>	17%
Nonoperating revenues:				
Operational and incentive levy	6,549,775	6,203,460	346,315	6%
Building levy	2,229,545	2,122,470	107,075	5%
Investment income	<u>169,232</u>	<u>150,368</u>	<u>18,864</u>	13%
Total nonoperating revenues	<u>8,948,552</u>	<u>8,476,298</u>	<u>472,254</u>	6%
Change in net position	1,388,925	1,990,681	(601,756)	-30%
Net position at beginning of year	<u>20,451,285</u>	<u>18,460,604</u>	<u>1,990,681</u>	11%
Net position at end of year	<u>\$ 21,840,210</u>	<u>20,451,285</u>	<u>1,388,925</u>	7%

During the year ended June 30, 2020, nonoperating revenues increased by \$472,254. This increase was due to an increase in ad valorem taxes, building levy taxes, and an increase in investment income. There was no change in the District's millage rate of 5.08 mills or the incentive levy of 2.5 mills.

Overall expenses increased by \$1,074,010 due primarily to an increase in technical education and other expenses and an increase in depreciation expense. The operating revenues of \$1 represent the annual payment made to the District by Oklahoma City Community College for the lease of the District's facilities and equipment.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The District's Net Position, Continued

Table 3: Analysis of Net Position

	June 30,		Increase	%
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>Change</u>
Net position:				
Net invested in capital assets	\$ 5,710,723	6,075,294	(364,571)	(6)%
Restricted for capital expenditures	10,703,196	8,463,854	2,239,342	26%
Unrestricted assets	<u>5,426,291</u>	<u>5,912,137</u>	<u>(485,846)</u>	<u>(8)%</u>
 Total net position	 <u>\$ 21,840,210</u>	 <u>20,451,285</u>	 <u>1,388,925</u>	 <u>7%</u>

The District's net position increased from \$20,451,285 in 2019 to \$21,840,210 in 2020. This increase was primarily due to an increase in cash held for future capital and operational needs.

Table 4: Condensed Statements of Cash Flows

	Years Ended June 30,		Increase	%
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>Change</u>
Cash (used in) provided by:				
Operating activities	\$ (7,143,336)	(6,110,658)	(1,032,678)	17%
Noncapital financing available	6,484,205	6,203,460	280,745	5%
Capital and related financing				
available	2,178,476	1,822,837	355,639	20%
Investing activities	<u>169,232</u>	<u>150,368</u>	<u>18,864</u>	<u>13%</u>
Net increase in cash and				
 cash equivalents	1,688,577	2,066,007	(377,430)	-18%
 Cash and cash equivalents				
at beginning of year	<u>14,342,279</u>	<u>12,276,272</u>	<u>2,066,007</u>	<u>17%</u>
 Cash and cash equivalents				
at end of year	<u>\$ 16,030,856</u>	<u>14,342,279</u>	<u>1,688,577</u>	<u>12%</u>

The District's overall cash and cash equivalents increased by \$1,688,577 in 2020, which is primarily the result of the accumulation of the building levy funds retained in the District's cash accounts for ongoing and future capital projects.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Assets and Debt Administration

Table 5: Condensed Summary of Capital Assets, Net

	Years Ended June 30,		Increase	%
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>Change</u>
Capital assets:				
Building and facilities	\$ 14,761,620	14,761,620	-	0%
Other improvements	1,676,427	1,676,427	-	0%
Infrastructure	1,197,190	1,197,190	-	0%
Furniture and equipment	565,730	565,730	-	0%
Construction in progress	<u>51,069</u>	<u>-</u>	<u>51,069</u>	100%
Total capital assets	18,252,036	18,200,967	51,069	0%
Less accumulated depreciation	<u>(12,541,313)</u>	<u>(12,125,673)</u>	<u>(415,640)</u>	3%
 Capital assets, net	 <u>\$ 5,710,723</u>	 <u>6,075,294</u>	 <u>(364,571)</u>	 -6%

During 2020, the District's net investment in capital assets decreased by \$364,571. This change was primarily due to an increase in accumulated depreciation and addition to construction in progress.

The District had no long-term liabilities as of June 30, 2020 or 2019.

Economic Factors and the District's Future

The District experienced an approximate average increase of 5.7% in the value of the property in the District during calendar year 2020, which is used to calculate the ad valorem tax receipts for fiscal year 2021. There was no change in the District's operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2020. During fiscal year 2013, the District began receiving allocation of funds from the assessment of the Building Fund Levy by the county tax assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2.5 mills for the Moore/Norman Technology Center.

Contacting the District's Financial Management

This financial report is designed to provide our stakeholders, including taxpayers, customers, investors and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Oklahoma City Community College, 7777 South May Avenue, Oklahoma City, Oklahoma 73159.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

STATEMENT OF NET POSITION

June 30, 2020

Assets	
Current assets:	
Cash and cash equivalents	\$ 5,327,660
Ad valorem taxes receivable	<u>99,487</u>
Total current assets	<u>5,427,147</u>
Noncurrent assets:	
Noncurrent restricted cash and cash equivalents	10,703,196
Capital assets, net of depreciation	<u>5,710,723</u>
Total noncurrent assets	<u>16,413,919</u>
Total assets	<u>21,841,066</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>856</u>
Total liabilities	<u>856</u>
Net Position	
Net investment in capital assets	5,710,723
Restricted for capital expenditures	10,703,196
Unrestricted	<u>5,426,291</u>
Total net position	<u>\$ 21,840,210</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2020

Operating revenues:	
Lease revenue	\$ 1
Total operating revenues	<u>1</u>
Operating expenses:	
Technical education	7,000,000
Professional fees and other expenses	143,988
Depreciation expense	<u>415,640</u>
Total operating expenses	<u>7,559,628</u>
Operating loss	<u>(7,559,627)</u>
Nonoperating revenues:	
Operational and incentive levy funds	6,549,775
Building levy funds	2,229,545
Interest income and other	<u>169,232</u>
Total nonoperating revenues	<u>8,948,552</u>
Net change in net position	1,388,925
Net position at beginning of year	<u>20,451,285</u>
Net position at end of year	<u>\$ 21,840,210</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2020

Cash flows from operating activities:

Operating receipts	\$ 1
Payments to suppliers and others	<u>(7,143,337)</u>
Net cash used in operating activities	<u>(7,143,336)</u>

Noncapital financing activities:

Operational and incentive levy funds received	<u>6,484,205</u>
Net cash provided by noncapital financing activities	<u>6,484,205</u>

Capital and related financing activities:

Building levy funds received	2,229,545
Purchases of capital assets	<u>(51,069)</u>
Net cash provided by capital and related financing activities	<u>2,178,476</u>

Investing activities:

Interest received on investments	<u>169,232</u>
Net cash provided by investing activities	<u>169,232</u>

Increase in cash and cash equivalents

1,688,577

Cash and cash equivalents at beginning of year

14,342,279

Cash and cash equivalents at end of year

\$ 16,030,856

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (7,559,627)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	415,640
Accounts payable	<u>651</u>
Net cash used in operating activities	<u>\$ (7,143,336)</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The South Oklahoma City Area School District (the “District”) was formed in 1970 to provide post-secondary technical education to the residents of the District. The District’s primary source of revenue is the ad valorem tax, which is assessed on all real property located within the District. The District together with Oklahoma City Community College (the “College”) use these tax funds to build facilities and pay other expenses to provide technical education.

The Board of Trustees for the District consists of the same members as the Board of Regents of the College with the exception of the Treasurer. The District has no employees of its own; however, the District provides funds, along with those of the College, to construct facilities and pay other costs associated with providing technical education to the residents of the District.

Reporting Entity

The District is a component unit of the College and is included in the financial statements of the College using the blended method. The College is a component unit of the State of Oklahoma and is included in the financial statements of the State of Oklahoma as part of the higher education fund.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Net Position

The District’s net position is classified as follows:

Net investment in capital assets—Represents the District’s total investment in capital assets, net of outstanding obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for capital expenditures—Represents unexpended building levy fund taxes that are restricted for use in capital projects, which include furniture, fixtures and equipment.

Unrestricted net position—Represents resources derived from operational and incentive levy funds that are available to fund the operations of the District.

See Independent Auditors’ Report.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District considers all cash on hand, demand deposits and interest-bearing checking accounts to be cash and cash equivalents.

Receivables

The District considers all ad valorem taxes receivable to be fully collectible and, accordingly, has recorded no allowance for uncollectible accounts as of June 30, 2020.

Capital Assets

Capital assets are stated at cost or fair value, if acquired by gift, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements and 7 to 20 years for furniture and equipment. The investment in capital assets in the accompanying statement of net position represents the capital assets or portions thereof, which were paid for by the District's ad valorem tax revenues.

Income Taxes

The District is, by way of the College, a component unit of the State of Oklahoma and is therefore exempt from federal income taxes under the Internal Revenue Code.

See Independent Auditors' Report.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements

Accounting Standards Adopted in Fiscal Year 2020

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

New Accounting Pronouncements Not Yet Adopted

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The District will adopt GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year. The District does not expect GASB 84 to have a significant impact on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District has not determined the impact of GASB 87 on the financial statements.

See Independent Auditors' Report.

**SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest* (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District will adopt GASB 90 effective July 1, 2020, for the June 30, 2021, reporting year. The District does not expect GASB 90 to have a significant impact on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The District will adopt GASB 91 effective July 1, 2021, for the June 30, 2022, reporting year. The District does not expect GASB 91 to have a significant impact on the financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The District will adopt GASB 92 effective July 1, 2021, for the June 30, 2022, reporting year. The District does not expect GASB 92 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). GASB 93 is to address other accounting and financial reporting implications that result from the replacement of interbank offered rates. The District will adopt GASB 93 effective July 1, 2022, for the June 30, 2023, reporting year. The District does not expect GASB 93 to have a significant impact on the financial statements.

See Independent Auditors' Report.

**SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The District will adopt GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. The District does not expect GASB 94 to have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District will adopt GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. The District has not determined the impact of GASB 96 on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria and Accounting Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). GASB 97 objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The District will adopt GASB 97 effective July 1, 2021, for the June 30, 2022, reporting year. The District has not determined the impact of GASB 97 on the financial statements.

See Independent Auditors' Report.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events have been evaluated through October 14, 2020, which is the date the financial statements were issued and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(2) DEPOSITS

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations.

The District requires that balances on deposit with financial institutions be insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations in the District's name. As of June 30, 2020, there were no uncollateralized deposits.

Deposits and Investments

The District's carrying amount of deposits was \$16,030,856 as of June 30, 2020. Deposits are carried at cost.

See Independent Auditors' Report.

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	51,069	-	51,069
Depreciable capital assets:				
Buildings and facilities	14,761,620	-	-	14,761,620
Other improvements	1,676,427	-	-	1,676,427
Infrastructure	1,197,190	-	-	1,197,190
Furniture and equipment	565,730	-	-	565,730
Total depreciable capital assets	<u>18,200,967</u>	<u>-</u>	<u>-</u>	<u>18,200,967</u>
Accumulated depreciation:				
Buildings and facilities	(10,698,548)	(229,665)	-	(10,928,213)
Other improvements	(802,131)	(68,725)	-	(870,856)
Infrastructure	(303,169)	(59,860)	-	(363,029)
Furniture and equipment	(321,825)	(57,390)	-	(379,215)
Total accumulated depreciation	<u>(12,125,673)</u>	<u>(415,640)</u>	<u>-</u>	<u>(12,541,313)</u>
Capital assets, net	<u>\$ 6,075,294</u>	<u>(364,571)</u>	<u>-</u>	<u>5,710,723</u>

(4) RELATED-PARTY TRANSACTIONS

All buildings owned by the District, which are situated on the campus of the College, are leased to the College for \$1 under a year-to-year lease renewed annually. The College provides for all maintenance, insurance and operating costs related thereto.

The District provides funding to the College for post-secondary vocational technical education for students in the District. During the year ended June 30, 2020, the District provided \$7,000,000 to the College to provide technical education to students of the District.

See Independent Auditors' Report.

**SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT
(A Component Unit of Oklahoma City Community College)**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) AD VALOREM TAX LEVIES

Pursuant to Oklahoma Statutes, the District may cause taxes to be levied on all taxable property in the District. For the year ended June 30, 2020, the operational levy was 5.08 mills. There was no change in the District's operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2020. The total millage applicable to the incentive levy is for the area including Moore/Norman Technology Center and the Francis Tuttle Technology Center. Such levies are collectible on December 31 and March 31 of each year by the Oklahoma County Treasurer with subsequent remittance to the District. During fiscal year 2013, the District began receiving allocation of funds from the assessment of the Building Fund Levy by the County Assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2.5 mills for Moore/Norman Technology Center.

(6) CONTINGENCIES AND UNCERTAINTIES

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities, including Oklahoma City, Oklahoma, have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. These issues impacted the operations of the District during the year ended June 30, 2020, including instituting remote work requirements for some employees. The District's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2020, financial statements.

The extent to which the COVID-19 pandemic may impact the District will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the District's future operations, the size and duration of which is difficult to predict. The District's management will continue to actively monitor the situation and may take further actions altering operations that the District's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' 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**

Board of Trustees
South Oklahoma City Area School District
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the South Oklahoma City Area School District (the "District"), a component unit of Oklahoma City Community College, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 14, 2020. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

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 financial statements. 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 14, 2020