

**ANNUAL FINANCIAL REPORT
PONTOTOC TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

Independent Auditor's Report on Financial Statements and Supplementary Information

Management's Discussion and Analysis

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

Government-Wide Financial Statements:

Statement of Net Position

Statement of Activities and Changes in Net Position

Fund Financial Statements:

Balance Sheet - Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

Statement of Net Position – Trust & Agency Funds

Notes to Financial Statements

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

Required Supplementary Information

District's Proportionate Share of the Net Pension Liability (OTRS)

Schedule of the District's Pension Contributions (OTRS)

Supporting Schedules and Reports Required by Government Auditing Standards:

Budgetary Comparison Schedule - Statutory Basis

Other Supplementary Information - Statutory Basis:

Schedule of Federal Financial Assistance

Combining Statement of Assets and Liabilities - All Governmental Fund Types
and Similar Trust Funds - Statutory Basis

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - All Governmental Fund Types and
Similar Trust Funds - Statutory Basis

School Activity Funds-Receipts, Transfers, Disbursements and
Subaccount Balances - Statutory Basis

Accountant's Professional Liability Insurance Affidavit

Management Letter and Comments

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73103

(405) 348-3800

Fax (405) 348-3846

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Pontotoc Technology Center School District No. 14
Pontotoc County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pontotoc Technology Center School District No. 14, Pontotoc County, Oklahoma as of and for the year ended June 30, 2016, 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 of America; 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.

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 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 statement 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 evaluation 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Pontotoc Technology Center School District No. 14, at June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension plan funding progress, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 of America, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The fund financial statements-statutory basis and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated on December 7, 2016, our consideration of the Pontotoc Technology Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

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

Putnam & Company

Putnam & Company, PLLC

Edmond, Oklahoma
December 7, 2016



Pontotoc Technology Center

David Lassiter, Superintendent

www.pontotoctech.edu

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14

PONTOTOC COUNTY

ADA, OKLAHOMA

Management's Discussion and Analysis

Fiscal Year ending June 30, 2016

Pontotoc Technology Center provides this discussion and analysis of the District's financial activities for the fiscal year ending June 30, 2016. The intent of this narrative overview is to look at the District's financial performance as a whole, and readers are encouraged to consider the notes to the basic financial statements and the financial statements to enhance their understanding of Pontotoc Technology Center's financial performance.

FUND FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide statements include the Statement of Net Assets and Statement of Activities, which provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. The District uses three funds to account for its financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to insure and demonstrate compliance with financial-related legal requirements. The fund financial statements focus on the individual parts of the District's operations in more detail than government-wide financial statements. Because the focus of District funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for District funds with similar information presented for District activities in the government-wide financial statements. Both the District's fund balance statement and the District's fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between funds and activities of each.

Funds are classified into two categories: governmental and fiduciary, with each category divided into separate "fund types". Governmental funds include the General Fund and the Building Fund. Fiduciary funds are used to account for assets held on behalf of outside parties, or on behalf of other funds within the District and include, but are not limited to, the school activity fund.

GENERAL FUND HIGHLIGHTS

The General Fund represents the District's major or significant fund. At the close of fiscal year 2016 the District is able to report positive cash balance in all funds, with the General Fund balance being \$1,516,755. Because of some continual decline in the economic indicators in the State and nation, the District is making appropriate adjustments to reflect this decline and expects to maintain an adequate and appropriate fund balance at the end of the 2017 fiscal year.

"Training to Succeed"

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY
ADA, OKLAHOMA**

Management's Discussion and Analysis
Fiscal Year ending June 30, 2016

FUND BALANCES

As of the close of fiscal year 2016, the District funds reported a government-wide ending cash fund balance of \$2,492,625 an decrease of \$285,495 in comparison with the prior year.

<u>Fund type</u>	<u>2015 Fund Balance</u>	<u>2016 Fund Balance</u>	<u>Change</u>	<u>Percent</u>
General	\$1,285,721	1,516,755	231,034	17.97%
Building	<u>1,206,904</u>	<u>1,686,335</u>	<u>479,431</u>	<u>39.72%</u>
Total	<u>\$2,492,625</u>	<u>3,203,090</u>	<u>710,465</u>	<u>28.50%</u>

FISCAL YEAR 2016

Revenue collection amounts for the fiscal year ending 2016 exceeded the original (estimated) General Fund budget in the amount of \$663,862.

CAPITAL AND FIXED ASSETS

The District is in its thirteenth year of tracking all assets of significant value. Building structures and improvements are added to the inventory as projects are completed and space is occupied. For the year ending June 30, 2016, capital assets are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets	\$10,717,146.	145,634		10,862,780.
Accumulated Depreciation	<u>(5,940,836.)</u>	<u>(482,821)</u>		<u>(6,423,657.)</u>
Net Capital Assets	<u>\$ 4,776,310.</u>	<u>(337,187.)</u>		<u>4,439,123.</u>

During the past year, expenditures of \$145,634 were incurred for the purchase of capital assets.

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY
ADA, OKLAHOMA**

**Management's Discussion and Analysis
Fiscal Year ending June 30, 2016**

FUTURE ECONOMIC FACTORS

Pontotoc Vocational-Technical School District remains in a very good financial condition. However, future finances are not without challenges, and they will be impacted significantly by both State and local economic conditions. On a positive side, the District's local ad valorem assessed valuation should increase along with future residential and commercial growth.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide patrons, taxpayers, and creditors with a general overview of Pontotoc Vocational-Technical School District's finances and to show the District's accountability for the money it receives. If you have further questions or comments about this report or need additional financial information, please contact the Business Office at Pontotoc Technology Center School District No 14, located at 601 W. 33rd Street, Ada, Oklahoma, 74820.



David Lassiter
Superintendent

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73103

(405) 348-3800

Fax (405) 348-3846

**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
Pontotoc Technology Center School District No. 14
Pontotoc 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pontotoc Technology Center School District No. 14, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 opinion 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. over financial reporting.

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 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 over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Putnam & Company, PLLC

Edmond, Oklahoma
December 7, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
Pontotoc County, Oklahoma
Statement of Net Position
June 30, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets -			
Cash and Cash Equivalents	\$4,084,059		4,084,059
Property Taxes Receivable	49,785		49,785
Receivables from Other Governments	0		0
Consumable Inventories	29,388		29,388
Total Current Assets	4,163,232	0	4,163,232
Non-Current Assets -			
Capital Assets			
Land	504,400		504,400
Equipment	2,256,823		2,256,823
Vehicle	1,079,916		1,079,916
Building	7,021,641		7,021,641
Less Accumulated Depreciation	(6,423,657)		(6,423,657)
Total Non-Current Assets	4,439,123	0	4,439,123
Total Assets	8,602,355	0	8,602,355
Deferred Outflows of Resources			
Deferred Outflow - Pension Contributions	427,210		427,210
LIABILITIES			
Current Liabilities -			
Accounts Payable	272,015		272,015
Other Payables	398,472		398,472
Compensated Leave			0
Total Current Liabilities	670,487	0	670,487
Non-Current Liabilities -			
Net Pension Liability	3,808,346		3,808,346
Total Liabilities	4,478,833	0	4,478,833
Deferred Inflow of Resources			
Deferred Inflow - Related to Pension	387,708		387,708
Total Deferred Inflows of Resources	387,708	0	387,708
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,439,123		4,439,123
Unrestricted	(276,099)		(276,099)
Total Net Position	\$4,163,024	0	4,163,024

See Independent Auditors' Report

See Accompanying Notes to Financial Statements

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
Pontotoc County, Oklahoma
Statement of Activities and Changes in Net Position
July 1, 2015 to June 30, 2016

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues</u>
			<u>Contributions</u>	
Governmental Activities:				
Instruction	\$2,218,476	452,755	37,566	(1,728,155)
Support Services - Instructional	189,451			(189,451)
Support Services - Operational	2,317,956			(2,317,956)
Operation of Non-Instruction Services	51,962	2,746		(49,216)
Facilities Acquisition & Construction Services	732			(732)
Other Outlays	512			(512)
Depreciation	482,821			(482,821)
Total Governmental Activities	5,261,910	455,501	37,566	(4,768,843)
General Revenues:				
Taxes -				
Property Taxes, Levied for Building Purposes				560,005
Property Taxes, Levied for General Purposes				2,868,550
Federal Aid				171,771
State Aid - Formula				1,250,933
Other Local Sources				125,118
Other Intermediate Sources				6,673
Other State Sources				220,368
Interest				7,935
Other Receivables				
Special Items -				
Increase in Capital Assets				145,634
Consumable Inventories				29,388
Consumable Inventories - Prior Year				(22,628)
Return of Assets				357
Adjustments to Prior Year's Encumbrances				166,001
Total General Revenues and Special Items				5,530,105
Change in Net Position				761,262
Net Position, Beginning				3,401,762
Net Position, Ending				\$4,163,024

See Independent Auditor's Report

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Special Revenue Fund Building	Totals (Memorandum Only)
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,395,585	1,688,474	4,084,059
Property Tax Receivable	41,727	8,058	49,785
Receivable From Other Governments			0
Consumable Inventories	29,388		29,388
Total Assets	\$2,466,700	1,696,532	4,163,232
<u>LIABILITIES</u>			
Warrants Payable	\$398,472		398,472
Compensated Absences			0
Reserved for Encumbrances	271,797	218	272,015
Total Liabilities	670,269	218	670,487
<u>NET ASSETS</u>			
Fund Balances:			
Unrestricted	1,796,431	1,696,314	3,492,745
Total Fund Balance	1,796,431	1,696,314	3,492,745

Amounts reported for governmental activities in the statement of assets, liabilities, and net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$10,862,780., and the accumulated depreciation is \$(6,423,657). 4,439,123

Certain long-term liabilities which are not due and payable in the current period are not recognized:
Net long-term pension obligations (3,768,844)

Net Position of Governmental Activities **\$4,163,024**

See Independent Auditors' Report

See Accompanying Notes to Financial Statements

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
REVENUES:			
Property Taxes	\$2,868,550	560,005	3,428,555
Tuition & Fees	452,755		452,755
Miscellaneous	112,834	15,030	127,864
Investment Income	4,169	3,766	7,935
Intermediate Sources	6,673		6,673
State Sources	1,508,867		1,508,867
Federal Sources	171,771		171,771
Total Revenues Collected	5,125,619	578,801	5,704,420
EXPENDITURES:			
Instruction	2,218,476		2,218,476
Support Services	2,375,297	132,110	2,507,407
Non-Instructional Services	51,962		51,962
Facilities Acquisition & Construction Services		732	732
Other Outlays	512		512
Total Expenditures	4,646,247	132,842	4,779,089
Revenues Over (Under) Expenditures	479,372	445,959	925,331
OTHER FINANCING SOURCES (USES):			
Return of Assets	357		357
Deobligation of Prior Year Funds	132,342	33,659	166,001
Total Other Financing Sources (Uses):	132,699	33,659	166,358
Revenue and Other Sources Over (Under) Expenditures and Other Uses	612,071	479,618	1,091,689
Fund Balance Unreserved, Beginning of Year	1,730,632	1,269,583	3,000,215
Fund Balance Unreserved, End of Year	\$2,342,703	1,749,201	4,091,904

Net change in fund balances-governmental funds \$1,091,689

Governmental funds do not report change in noncurrent compensated absences as expenditures, while government activities report the change as an expense of the current period:

Change in Consumable inventories 6,760

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net position. This is the amount by which depreciation exceeds capital outlays in the period.

Capital asset purchases capitalized 145,634
Depreciation (482,821)

Changes in net position of governmental activities \$761,262

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

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2016**

	<u>ACTIVITY FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	<u>150,011</u>	<u>150,011</u>
 Total Assets	 <u><u>150,011</u></u>	 <u><u>150,011</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Reserves	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>0</u>	 <u>0</u>
 Fund Equity:		
Reserved for Student Activities	141,226	141,226
Reserved for Administrative Activities	<u>8,785</u>	<u>8,785</u>
 Total Fund Equity	 <u>150,011</u>	 <u>150,011</u>
 Total Liabilities and Fund Equity	 <u><u>150,011</u></u>	 <u><u>150,011</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

The government-wide financial statements of the Pontotoc Technology Center School District No. 14 (the "District") have been prepared in accordance with generally accepted accounting principles. However, the other supplementary information has prepared in accordance with a statutory basis prescribed by the State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting policies - continued

B. Basic Financial Statements

New Reporting Standard

In June 1999, the GASB issued Statement No.34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government." This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in all prior years is affected. The District is required to implement this standard for the fiscal year ending June 30, 2016.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) tuition or fees paid by student or citizens of the District, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, including state aid, that are not properly included among program revenues are reported as general revenues.

Funds are classified into three categories: governmental, proprietary, 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 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.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies - continued

B. Basic Financial Statements - continued

Special Revenue Funds - The special revenue funds include 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 normally 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.

Capital Projects Funds - The capital projects funds are normally the District's Bond Funds and are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District did not maintain any proprietary funds during the year under review.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Trust and Agency Funds - The trust and agency funds group includes the School Activities Funds which are maintained at various sites throughout the District. The School Activities Funds are 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, for collecting, disbursing and accounting for these activity funds.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

B. **Basic Financial Statements (continued)**

Account Groups

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

Memorandum Only - Total Column

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

C. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the other supplemental information section, all governmental and expendable trust funds are accounted for using the Statutory basis of accounting. Revenues are recognized when they are received rather than earned under this method of accounting. Also, under the Statutory basis of accounting, expenditures are generally recognized when encumbered or reserved rather than at the time the related fund liability is incurred.

D. **Budgets and Budgetary Accounting**

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

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

D. **Budgets and Budgetary Accounting (continued)**

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Funds that includes revenues and expenditures. The budget is prepared on the same basis of accounting as the financial statements. All appropriations lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund, is utilized in all governmental funds of the District.

E. **Assets, Liabilities and Fund Balance**

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

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

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

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

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Fund Balance (continued)

Inventories - Supply inventories are not presented in the financial statements and are not included in determining the District's fund balances in accordance with the Statutory basis of accounting.

Fixed Assets and Property, Plant and Equipment The capital assets for the year ended June 30, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets	\$10,717,146.	145,634.		10,862,780.
Less accumulated Depreciation	(5,940,836.)	(482,821)	_____	(6,423,657.)
	<u>\$ 4,776,310.</u>	<u>(337,187)</u>	_____	<u>4,439,123.</u>

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

Fund Balance - Fund Balance represents the funds not encumbered by purchase order, legal contracts or 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.

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

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

F. **Revenue, Expenses and Expenditures (continued)**

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 educational program revenues be accounted for in the general fund.

Inter-fund 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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2016.

2. **Deposits and Investment Risks**

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

At June 30, 2016, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. **Deposits and Investment Risks (continued)**

- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District's investment policy requires diversification of investments.

At June 30, 2016, the District had no concentration of credit risk as defined above.

3. **General Long-Term Debt**

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

General long-term debt of the District normally consists of bonds payable and related interest. The District had no other long-term debt for the year ended June 30, 2016, other than obligations which existed under lease purchase contracts. In accordance with Oklahoma law, lease purchase agreements and other contracts must be affirmed in each subsequent fiscal year in order to remain in effect.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4. **New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012. The District implemented GASB No. 68 during fiscal year 2014-15.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2017.

5. **Retirement Plan – Oklahoma Teacher's Retirement System (OTRS)**

Plan Description

The District as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Oklahoma Teachers' Retirement System (OTRS) – (continued)

The District as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Oklahoma Statutes define all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits Provided:

OTRS provides retirement, disability, and death benefits to members of the plan.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Oklahoma Teachers' Retirement System (OTRS) (continued)

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the system, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC (Internal Revenue Code).
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, as amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the District were \$261,623.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$3,808,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the District's proportion was 0.06271196%.

For the year ended June 30, 2016, the District recognized pension expense of \$200,895. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

Oklahoma Teachers' Retirement System (OTRS) (continued)

	Deferred Outflows of Resource	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ 129,355
Changes of assumption	182,356	
Net difference between projected and actual earnings on Pension plan investments	---	258,353
District contributions subsequent to the measurement date	<u>244,854</u>	<u> </u>
Total	\$ <u>427,210</u>	\$ <u>387,708</u>

The \$427,210 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(77,311)
2018		(77,311)
2019		(77,311)
2020		(77,311)
2021		(77,311)
Thereafter		<u>(1,153)</u>
	\$	<u>(387,708)</u>

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Oklahoma Teachers' Retirement System (OTRS) (continued)

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of that date, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Amortization Method – Level Percentage of Payroll
- Inflation – 3.00%
- Salary Increases – Composed of 3.75% inflation, plus a service-related component ranging from 0% to 8% based upon years of service.
- Investment Rate of Return – 8.00%
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 60% for males and 50% for females.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
International Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	<u>100.0%</u>	

*The Domestic All Cap Equity total expected return is a combination of 3 rates – US large cap, US mid cap and US small cap.

**The Real Estate total expected return is a combination of US direct real estate (unlevered) and US value added real estate (unlevered.)

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Oklahoma Teachers' Retirement System (OTRS) (continued)

Discount Rate

A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2015 and June 30, 2016. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Employers' net pension liability	\$ 5,264,642	\$ 3,808,346	\$ 2,584,263

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

6. Risk Management and Litigation

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, insurance coverage is obtained from various insurance carriers.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2016, will not materially affect the financial condition of the District. Therefore, none of the Districts funds contain any provisions for these types of losses.

PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

7. 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.

8. Subsequent Events

Subsequent events have been evaluated through December 7, 2016, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSIONS LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0627%	0.0633%
District's Proportionate Share of the Net Pension Liability	\$3,808,346	\$3,407,089
District's Covered-Employee Payroll	\$2,577,415	\$2,562,772
District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	148%	133%
Plan fiduciary net position as a percentage of total pension liability	70.31%	72.43%

Notes to Schedule:

Only these years are presented because ten year data is not yet available.

The amounts presented for each fiscal year were determined as of June 30th of the prior year.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$244,854	\$243,463
Contributions in Relation to the Contractually Required Contributions	<u>244,854</u>	<u>243,463</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
District's Covered-Employee Payroll	\$2,577,415	\$2,562,772
Contribution as a Percentage of Covered-Employee Payroll	9.50%	9.50%

Notes to Schedule:

Only these years are presented because ten year data is not yet available.

**SUPPORTING SCHEDULES AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATUTORY BASIS - BUDGET AND ACTUAL - GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$2,815,192	3,446,772	631,580	510,434	580,536	70,102
Intermediate Sources		6,673	6,673			0
State Sources	1,489,231	1,508,867	19,636			0
Federal Sources	165,798	171,771	5,973			0
Total Revenues	4,470,221	5,134,083	663,862	510,434	580,536	70,102
EXPENDITURES :						
Instruction	2,264,778	2,259,965	4,813			0
Support Services	3,437,890	2,722,509	715,381	1,716,606	134,032	1,582,574
Non-Instructional Services	51,962	51,962	0			0
Facilities Acquisition & Construction Services			0	732	732	0
Other Outlays	1,312	1,312	0			0
Total Expenditures	5,755,942	5,035,748	720,194	1,717,338	134,764	1,582,574
Revenues Over (Under) Expenditures	(1,285,721)	98,335	1,384,056	(1,206,904)	445,772	1,652,676
OTHER FINANCING SOURCES (USES):						
Return of Assets		357	357			0
Deobligation of Prior Year Funds		132,342	132,342		33,659	33,659
Total Other Financing Sources (Uses)	0	132,699	132,699	0	33,659	33,659
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,285,721)	231,034	1,516,755	(1,206,904)	479,431	1,686,335
Fund Balance, Beginning of Year	1,285,721	1,285,721	0	1,206,904	1,206,904	0
Fund Balance, End of Year	\$0	1,516,755	1,516,755	0	1,686,335	1,686,335

See Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

**PONTOTOC AREA VOCATIONAL-TECHNICAL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Cash/ Beginning Balance at July 1, 2015</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Refunded</u>	<u>Cash/ Ending Balance at June 30, 2016</u>
<u>Passed Through Department of Vocational and Technical Education:</u>								
Carl D. Perkins	421	84.048	\$16,675.00		16,675.00	16,675.00		0.00
Total			16,675.00	0.00	16,675.00	16,675.00	0.00	0.00
<u>U.S. Department of Education:</u>								
Direct Programs:								
STEM/EPSCoR	486	47.080	154,030.99		154,030.99	154,030.99		0.00
Pell Grants - Administrative Fee	474	84.063	325.00		325.00	325.00		0.00
Pell Grants	474	84.063	277,801.00		281,042.00	277,801.00	3,241.00	0.00
FSEOG	477	84.007	10,564.00		10,564.00	10,564.00		0.00
FSEOG - Administrative Fee	477	84.007	704.00		704.00	704.00		0.00
Total			443,424.99	0.00	446,665.99	443,424.99	3,241.00	0.00
Other Federal Assistance								
VA Fees		15.000	36.00		36.00	36.00		0.00
Total Federal Assistance			\$460,135.99	0.00	463,376.99	460,135.99	3,241.00	0.00

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

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES - STATUTORY BASIS
(ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS)
JUNE 30, 2016**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>(Memorandum Only)</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	<u>\$2,395,585</u>	<u>1,688,474</u>	<u>208,193</u>	<u>4,292,252</u>
Total Assets	<u>\$2,395,585</u>	<u>1,688,474</u>	<u>208,193</u>	<u>4,292,252</u>
<u>LIABILITIES</u>				
Warrants Payable	\$398,472	0	13,280	411,752
Reserved for Encumbrances	<u>480,358</u>	<u>2,139</u>	<u>13,280</u>	<u>482,497</u>
Total Liabilities	<u>878,830</u>	<u>2,139</u>	<u>13,280</u>	<u>894,249</u>
<u>FUND EQUITY</u>				
Fund Balances:				
Restricted for Student Activities			194,913	194,913
Restricted for Building Activities		1,686,335		1,686,335
Unassigned	<u>1,516,755</u>			<u>1,516,755</u>
Total Fund Balance	<u>1,516,755</u>	<u>1,686,335</u>	<u>194,913</u>	<u>3,398,003</u>
Total Liabilities and Fund Equity	<u>\$2,395,585</u>	<u>1,688,474</u>	<u>208,193</u>	<u>4,292,252</u>

See Independent Auditors' Report

**PONTOTOC TECHNOLOGY CENTER NO. 14
PONTOTOC COUNTY, OKLAHOMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATUTORY BASIS - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types		Fiduciary Fund Types	Totals
	General	Special Revenue	Trust and Agency	(Memorandum Only)
REVENUES:				
Local Sources	\$3,446,772	580,536	765,694	4,793,002
Intermediate Sources	6,673			6,673
State Sources	1,508,867			1,508,867
Federal Sources	171,771		291,606	463,377
Total Revenues Collected	5,134,083	580,536	1,057,300	6,771,919
EXPENDITURES:				
Instruction	2,259,965		291,606	2,551,571
Support Services	2,722,509	134,032		2,856,541
Non-Instructional Services	51,962		751,175	803,137
Facilities Acquisition & Construction Services		732		732
Other Outlays	1,312			1,312
Total Expenditures	5,035,748	134,764	1,042,781	6,213,293
Revenues Over (Under) Expenditures	98,335	445,772	14,519	558,626
OTHER FINANCING SOURCES (USES):				
Return of Assets	357			357
Deobligation of Prior Year Funds	132,342	33,659		166,001
Total Other Financing Sources (Uses):	132,699	33,659	0	166,358
Revenue and Other Sources Over (Under) Expenditures and Other Uses	231,034	479,431	14,519	724,984
Fund Balance Unreserved, Beginning of Year	1,285,721	1,206,904	179,914	2,672,539
Fund Balance Unreserved, End of Year	\$1,516,755	1,686,335	194,433	3,397,523

See Independent Auditors' Report

PONTOTOC AREA VOCATIONAL-TECHNICAL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
SCHOOL ACTIVITY FUNDS--RECEIPTS, TRANSFERS,
DISBURSEMENTS AND SUBACCOUNT BALANCES - STATUTORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance 07/01/15	Deposits	Transfers	Disbursements	Balance 06/30/16
Federal Financial Aid	\$0.50	281,042.00	0.00	281,042.00	0.50
FSEOG	0.00	10,564.00	0.00	10,564.00	0.00
OTAG	0.00	13,727.00	0.00	13,727.00	0.00
Otha Grimes Scholarship	1,492.46	5,500.00	(3,000.00)	3,992.46	0.00
Health Career Certification Tuition	0.00	17,475.00	400.00	17,875.00	0.00
Automotive Technology Tuition	0.00	11,813.00	0.00	11,813.00	0.00
Business/Industry Tuition	0.00	63,334.25	0.00	63,334.25	0.00
Business Development Center	0.00	17,226.87	0.00	17,226.87	0.00
AC/Heavy Equipment Operation Tuition	0.00	18,665.06	0.00	18,665.06	0.00
SO Leadership	3,355.70	5,496.27	5,000.00	11,805.53	2,046.44
Computer Information Systems Tuition	0.00	17,806.40	0.00	17,806.40	0.00
Facility Use	0.00	2,952.50	0.00	2,952.50	0.00
Cosmetology Tuition	0.00	19,314.23	0.00	19,314.23	0.00
Practical Nursing Tuition	0.00	90,690.00	200.00	90,890.00	0.00
Short Term Tuition	0.00	181,119.76	3,042.82	184,162.58	0.00
Interest	0.00	1,199.31	(1,199.31)	0.00	0.00
Firefighter Academy Tuition	0.00	19,076.00	0.00	19,076.00	0.00
Surplus Property	0.00	1,705.28	0.00	1,705.28	0.00
Petty Cash	0.00	200.00	0.00	200.00	0.00
Resale	144,560.71	174,343.07	(642.82)	152,488.40	165,772.56
Test Fees Clearing	0.00	25,535.18	0.00	25,535.18	0.00
Conference Account	11,968.12	19,451.75	1,199.31	23,834.26	8,784.92
Snack Bar	18,536.22	55,571.96	(5,000.00)	51,279.42	17,828.76
Livework	0.00	3,491.49	0.00	3,491.49	0.00
	<u>\$179,913.71</u>	<u>1,057,300.38</u>	<u>0.00</u>	<u>1,042,780.91</u>	<u>194,433.18</u>

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

**ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT**

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDED JUNE 30, 2016**

State of Oklahoma)

County of Oklahoma)

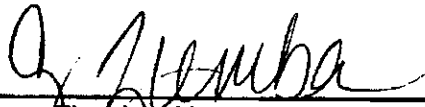
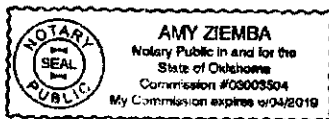
The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Pontotoc Technology Center School District No. 14 for the audit year 2015-2016.

PUTNAM & COMPANY, PLLC



Jerry W. Putnam

Subscribed and sworn to before me this
7th day of December, 2016.



Amy Ziemba, Notary Public
Commission # 03003504
My commission expires
June 4, 2019.

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73103

(405) 348-3800

Fax (405) 348-3846

December 7, 2016

The Honorable Board of Education
Pontotoc Technology Center School District No. 14
Pontotoc County, Oklahoma

We have audited the financial statements of Pontotoc Technology Center School District No. 14, Pontotoc County, Oklahoma, as of and for the year ended June 30, 2016, as listed in the table of contents, and have issued our report thereon dated December 7, 2016. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 7, 2016, on the financial statements of Pontotoc Technology Center School District No. 14.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

PUTNAM & COMPANY, PLLC

**PONTOTOC TECHNOLOGY CENTER SCHOOL DISTRICT NO. 14
PONTOTOC COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS:

REVIEW OF APPROPRIATED FUND TRANSACTIONS

Our review of purchase orders and payment documentation indicated that the District was doing an excellent job of obtaining and maintaining supporting documentation for its payments. However we did not the following:

<u>Problem Noted</u>	<u>Number of Occurrences</u>
Inaccurate Math	1

REVIEW OF ACTIVITY FUND TRANSACTIONS

Our review of purchase orders and payment documentation indicated that the District was doing an excellent job of obtaining and maintaining supporting documentation for its payments.

DISTRICT'S RESPONSE TO AUDIT COMMENTS AND RECOMMENDATIONS

The District has received the findings and recommendations and will review current procedures in order to implement necessary changes.